A Grand Deceit:

The World Bank's claims of 'good governance' in Papua New Guinea

By Dr Tim Anderson
Political Economy, University of Sydney

A report prepared for the Australian Conservation Foundation (ACF) and the Centre for Environmental Law and Community Rights (CELCOR)

Table of Contents

Acknowlegements

I owe many thanks to a wide range of people for their input into the preparation of this report, but particularly to Lee Tan of the ACF, Damien Ase of CELCOR, Ruth Pune, Brian Brunton, Richard Brunton, Ted Wolfers, Ainui Patterson, Paul Barker, Lester Seri, Leo Ruki, Anderson Koja, Kanawi Pouru, Matilda Koma, Almah Tararia, Annie Kajir, Martin Anda, Paul Duffy, Yat Paol, Barry Lalley, John Tsitoa, Yanny Guman, the Bismarck Ramu Group, Aipapu Marai, Oiyoi Yambai, Benny Kapior, Francis Gem, James Sungai, Florien Yasangi, Joe Hare, Tim King, Powys Parkops, Anou Borrey, Tony Fofoe, and Tim O'Connor from AID/WATCH.

Summary

1. Introduction

The World Bank has attempted to deceive the people of Papua New Guinea, by representing itself as dedicated to 'good governance'. It is in fact a representative of large, private corporate interests, which are seeking market access and profitable opportunities. A collection of nice-sounding principles obscures this simple fact. This report aims to help explain the World Bank's model of 'good governance' in Papua New Guinea, and to interpret the role of the World Bank and its ally the Asian Development Bank in some environmentally sensitive industries.

2. Why 'Good Governance'?

'Governance' is a concept of political regulation which is wider than simple 'government' by a state. But there is no agreed definition, and it is now an arena of furious debate. Economic liberals have focussed their arguments about 'good governance' on the traditional targets of economic liberal policy: limiting or reducing the extent of public services, privatising community and public assets and expanding markets and market opportunities for private investors. Their model has been revised, to include some new functions for the capitalist state, in the wake of criticisms of Structural Adjustment Programs in the 1980s, the reconstruction of states in Eastern Europe, and the nature of new and volatile world markets.

The World Bank's anti-corruption and pro-democracy 'good governance' programs come in the wake of strong and sustained criticism of the Bank for supporting corrupt dictatorships, such as those in Chile and Indonesia. So insistent have the Bank's new claims been that we can now find few references to the much criticised 'structural adjustment' (now 'poverty reduction'), privatisation (now 'partnerships' and private sector 'participations') or loan 'conditionality' (now incorporated as elements of 'good governance'). The complexity of this 'newspeak' has made it more important that essential interests be separated from stated objectives, and that the World Bank's model of 'good governance' in Papua New Guinea be properly analysed, and not simply taken at face value.

3. Papua New Guinea's assets and problems

Papua New Guinea's socio-economic problems can be seen in quite different ways, and it would be naive to imagine that any account of the country's problems can be 'objective' or devoid of assumptions about how the country might best develop. But before turning to problems, it is equally important to recognise PNG's many assets.

PNG's principal assets could be seen as: its community support structures (including customary land tenure), its community and language diversity, its biological and food diversity, and the sound development goals and formal community rights, developed over many centuries and recognised by PNG's Constitution.

PNG's problems are differently portrayed as either 'dysfunction within transplanted western social structures' or as the 'breakdown of traditional community support structures'. The problems are commonly cited as corruption, poor security (the 'breakdown in law and order'),

poverty and ineffective 'development'. Yet to these we must add the serious failures in education and health, and the failure to build effective indigenous institutions from public, community and private investment. I suggest the major problems PNG must face are: (i) poor social indicators, (ii) aid and the colonial legacy, (iii) security problems, (iv) corruption, and (v) inappropriate investment and the failure of an export-driven growth strategy.

In many respects PNG demonstrates the dangerous emptiness of the 'export driven' development strategy. PNG has been a world class exporter for many decades, but this has not translated into benefits for ordinary people. On the contrary, the strategy has seriously damaged decent livelihoods and sustainable communities.

4. What is the World Bank?

For all its 'newspeak' (including 'good governance'), the World Bank is a public body committed to privatisation. Its central purpose is to facilitate private foreign investment, by supplementing and helping create the conditions for new investments, or the takeover of publicly owned institutions and markets. Despite its new language, it has not substantially departed from its initial focus on facilitating private foreign investment. There are three ways we know this: the clear aims of the Bank's constitution, the economic liberal ideology of the bankers, and the clear foreign investment and trade interests of the Bank's major shareholders. The historical practice (Structural Adjustment Programs) of the World Bank confirms this. The Bank's argument that it represents some independent view of 'good governance' is an exercise in massive deception. It is firmly committed to privatisation and the promotion and privileging of private foreign investment.

5. The World Bank and 'good governance'

The World Bank has considerable policy and development strategy leverage in PNG, through its loans. But its actual formulations of 'good governance' in PNG are vague and inconsistent. Its arguments about social governance are strongly influenced by its corporate governance ideas (ie. suggesting that we must run a country the way we would run a private company), and its social governance proposals are weak and unconvincing. Bank statements about 'good governance' cannot be taken at face value. The World Bank and the IMF operate with little democratic input, most often imposing policies from the top down, and undermining the capacity of democratically elected governments to make decisions in an open, participatory and accountable manner.

6. Interpreting World Bank 'good governance'

To help understand the Bank's 'good governance' model we need to distinguish its 'core' principles from its 'veneer' (or weak and compromised) principles. The Bank's core principles are (i) support for formal democracy (ii) the privatisation of public assets, (iii) a reduction in regulation of private foreign investors, (iv) reduction in shared (public) services, and (v) the removal of price and wage controls. These core principles are backed by a belief system which says that private profit leads to public good, and indiscriminate economic growth is the primary means towards social progress and general well being.

The main 'veneer' principles of the World Bank are: (i) participation of civil society, (ii) poverty reduction, (iii) environmental protection, (iv) anti-corruption and institutional

strengthening, and (v) transparency and accountability. These serve as a gloss on, or a veneer over, the actual operations of the Bank. To this veneer list we could add 'land rights', but here the World Bank has corrupted the meaning of this concept so completely that this act of deceit deserves special treatment.

7. Bank governance of logging and cash cropping

This section looks at the World Bank's Forestry and Conservation Project, and the Asian Development Bank's (ADB's) involvement in cash cropping, mainly oil palm. Unfortunately, from an understanding of the Bank's operations, and the experience of the Bank's Forestry and Conservation Project (FCP), we can safely conclude that the Bank's purported attempts (over more than a decade) to ensure the integrity and ecological sustainability of the forestry sector have failed, and that they were never really central to the Bank's concerns.

Oil palm as a simple option for small farmers (like cocoa, coffee, or vanilla), might be valuable for small farmers in PNG, were it not linked to a socially and environmentally damaging monoculture, and subject to domination by a single large price-setting company - as the ADB seems likely to suggest. The ADB has been evasive about the plans of its most recent agro-industry project but, knowing the character of the ADB's operations, we can expect more foreign investor driven developments, with small farmers serving the interests of a large corporate mill. The ADB has a poor track record in such schemes.

8. Alternatives: social democratic governance

An approach based on community participation in and control of social and economic life - and which focusses on the principles of self-determination, food security, shared services, public institutions, appropriate investment and ecologically sustainable development - could, for example, prioritise local farming over logging, ecotourism over oil palm plantations, and public health services over privatisation.

9. Dealing with the World Bank

The World Bank (and the ADB) are best regarded as lobbyists for private foreign investors in PNG, and should be treated as business people, representing special interests. It is dishonest for the World Bank to suggest that it represents an independent source of 'good governance' advice. Verbal engagement with the World Bank does not significantly alter its structural aims, which are set by its constitution and the interests of its shareholders, and which are confirmed by its practice around the world. Community activists engaging with the World Bank, for the legitimate purpose of holding it publicly accountable for its actions in PNG, should be careful to not lend it platforms or legitimacy for its partisan foreign investment lobbying activities, dressed up as 'good governance' or 'poverty reduction' programs.

1. Introduction

The World Bank has attempted to deceive the people of Papua New Guinea, by representing itself as dedicated to 'good governance'. It is in fact a representative of large, private corporate interests, which are constantly seeking new market access and profitable opportunities in a wide range of countries. However a collection of nice-sounding principles, with which the World Bank now associates itself, obscures this simple fact.

We can be confident that the World Bank's constitutional commitment (Article One) to facilitating private foreign investment will *always* outweigh its adherence to claimed principles of poverty reduction, community consultation, environmental protection and so on. These progressive sounding principles are better seen as 'veneer' principles, which have been grafted onto the World Bank's 'core' principles and belief system. For example, the Bank would like to associate privatisation with community rights, but in the end the only means it offers towards community rights is through privatisation. This is an absurdity. In practice, the Bank's belief system - with dual assumptions that there is no essential conflict between private and public interest, and that indiscriminate ('broad') economic growth will solve most socio-economic problems - makes its a purveyor of grand scale corruption and of community and environmental degradation, particularly in poor countries. This belief system also makes its fanatical adherents (like religious zealots everywhere) blind to this awful damage.

World Bank programs which claim to support communities and protect the environment (such as the Forestry and Conservation Program in PNG) will always be subordinate to and generally overwhelmed by its macroeconomic demands for export-led development and (in PNG) resource extraction. The appalling damage to Indonesian communities and forests, in the wake of the 1997 Asian Financial Crisis, is testament to this. The World Bank, and its partners the Asian Development Bank and the IMF, drove an economically and politically crippled Indonesia into slashing and burning millions of hectares of forest, and destroying the land rights of hundreds of poor communities, for paltry returns on logging and low value-added cash cropping. This is the familiar pattern of World Bank 'good governance', world wide. The Bank's constitution, its economic liberal ideology and the powerful governments and corporations that sustain it will ensure that this pattern is maintained. There is no mystery about that. However the increasingly sophisticated and deceptive language of the Bank make it important that we remember that the World Bank is a public body dedicated to privatisation and, through that, the steady erosion of community assets, public goods and shared services.

This report, for the Australian Conservation Foundation (ACF) and the Centre for Environmental Law and Community Rights (CELCOR), aims to contextualise and explain the World Bank's model of 'good governance' in Papua New Guinea, and to then help explain the Bank's role in recent environmentally sensitive industries. I have approached this as an exercise in interest and economic language analysis, linked to questions of community rights, and backed up with evidence from the PNG experience.

I begin by introducing the concept of 'governance', then a brief overview of Papua New Guinea's assets and problems, followed by an account of the World Bank's model of 'good governance' in PNG, finaly explaining how best to understand this model. I then look at two

programs with important environmental implications: the World Bank's Forestry and Conservation Program, and the Asian Development Bank's agro-industry programs. I conclude with some comments on how best to approach dealings with the World Bank, and how we might see an alternative, social democratic model of good governance.

2. Why 'Good Governance'?

As a concept of political regulation which is wider than simple 'government' by a state, 'good governance' was seized on in the 1990s by UN agencies and the multilateral banks (the IMF and the World Bank). It is now an arena of furious debate, with no clear definitions (unlike rights, which have an agreed basis in international treaties) but enormous moral assertion. The concept has a history, with two broad genealogies.

First, there is an institutional focus, looking at governance as the coordination and competition between domestic institutions and the state, and between states and international bodies. Historically, inter-imperial international coordination in the early 19th century, followed by the League of Nations and United Nations in the 20th century, have been described as the first forms of formal governance in the modern era (Tehranian 2002: 9).

In a narrower sense, economic liberals have focussed institutional arguments about 'good governance' on the traditional targets of economic liberal policy: limiting or reducing the extent of public services, privatising community and public assets and expanding markets and market opportunities for private investors. Economic liberals have made themselves part of the institutional approach to governance, because most of their claims are to do with state regulatory reform, new 'pro-market' structures and enhancing the authority of the multilateral banks and the WTO. Academic lawyers Trebilcock and Howse (1999: 516), for example, adopt the World Bank view that governance refers to "the manner in which power is exercised in the management of a country's economic and social resources for development". The World Bank (1999: 103) now describes governance as "concerned with the role of the state and the institutions established to manage development".

However notions of institutional governance may not require formal bodies as, for example, the relationships between states and large corporations also constitute powerful but sometimes informal institutional governing forces. Wider democratic arguments are also made, within the institutional view of 'governance'. Hirst and Thompson (1996: 184), for example, see governance as "a function that can be performed by a wide variety of public and private state and non-state, national and international institutions and practices." In this tradition, and in a discussion on 'economic governance', Bell (2002: 1-3) describes governance as "the use of institutions and structures of authority to allocate resources and coordinate or control activity". Bell is talking about a "coordinated and authoritative" network of regulation, carried out by the state, together with various public and private agencies.

Hirst and Thompson (1996: 121-2) discuss several levels of actual international governance (including the G7 nations and the WTO) and suggest a need for greater coordination or coherence of function, as well as a contest over the democratic nature of this coherent governance. Yet in the mid 1990s 'coherence' *(without* wider democracy) was an important theme taken up by the World Trade Organisation - referring to its links with the IMF and the World Bank. These banks had already systematised their influence over the national policies of many developing countries through their Structural Adjustment Programs (SAPs, now called 'Poverty Reduction Strategies'), in the early 1980s. Responding to the 1980s criticisms of SAPs in developing countries, and developing a rationale for an expanded IMF and World Bank roles in the economically liberal reconstruction of formerly socialist states in Eastern

Europe (Wickramasinghe 1995), 'good governance' gained prominence, alongside the notion of 'coherence' between the G7 dominated international economic agencies. The 1994 GATT declaration, organised by the G7, was of an intended contribution by the WTO to

> "greater coherence in global economic policy-making .. The interlinkages between the different aspects of economic policy require that the international institutions ... follow consistent and mutually supportive policies" (WTO 2003: 387).

In essence, this was to mean a greater role for the WTO in facilitating foreign investment, and an enhanced role for the World Bank and IMF in the dismantling of social regulations that were seen as barriers to trade. Trade and investment liberalisation were to be joint objectives, a mission supportive of the interests of those private corporations big enough to engage in international trade and foreign investment.

The so-called 'Washington Consensus', of self-regulating markets and minimalist states, was revised to include some new functions of the capitalist state. The World Bank's 1997 report *The State in a Changing World*, spelt out some of these new functions, such as risk management (ie. states covering the costs of investor risk) and facilitating new and emerging markets. [Recently, the World Bank (2003a) hosted a forum where NGOs criticised the basis of the Washington Consensus; but the capacity of the Bank to reorient itself on the basis of such criticism is severely limited, for reasons I will spell out later.] In any case, the 'consensus' has been powerful, with academics repeating its mantras of development into the new litany of 'governance', for example:

> "Reorienting the public sector so that it employs far fewer people in aggregate, reducing employment in activities where the state has no comparative advantage, perhaps increasing employment in sectors (such as education, agricultural extension and health care) where it has a comparative advantage, and much more generously compensating those that it does employ are widely identified by development analysts as crucial priorities (Trebilcock and Howse 2000: 517).

In fact, there is no such consensus on development policies, nor has there ever been. Even the World Bank - in a Japanese funded report, watered down by the Washington hierarchy (see Stiglitz 2002) - in its 1993 report The East Asian Miracle, acknowledged a distinct role for public investment and coordination in the process of development, based on the Japanese and Korean experiences. Analysts from developing countries (eg. Bello 2002) regularly attack the Washington preferred view of economic governance. And the Chinese development model - the most successful in the world over the past decade, on conventional economic indicators - is anything but a liberal one.

The second approach to governance is more broadly social, more expansive than the institutional approach. Here social classes, customs and cultural practices, notions of citizens' rights, language and social movements combine with institutions and powerful interests to create a matrix of social regulation or 'governance'. For example 'policing', in this view, is not simply carried out by a police agency, but requires that agency to be socially legitimate and to draw on social support, such as citizens reporting wrong doing. (**REF??**) Economic governance, similarly, requires legitimacy and popular acceptance and support for key ideas and practices (eg. paying taxes and recognising particular property rights). Economic or social democracy arguments may be further developed, in this tradition. Global stock markets, corporations and global social movements, for example, are seen as competing for legitimacy. The non-authoritative but popular movements also influence and "contribute to governance in the contemporary globalising world" whereas, in the realm of "technopolitics", largely unaccountable expert bodies make decisions, "exempted from democratic scrutiny" (Scholte 1997: 23-27).

In this tradition, and often incorporating arguments based on human rights, the UNDP has developed a collection of reports on governance. It argued in 1994 that:

> "the goal of good governance should be to develop capacities that are needed to realise development that give priorities to the poor, advances women, sustains the environment, and creates needed opportunities for employment and other livelihoods ... [Governance] is the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences." (UNDP 1997: 1 & 9)

Unlike the World Bank, the UNDP acknowledged that the 'governance' or means to achieve "sustainable human development ... should be subject to interpretation according to different national circumstances" (UNDP 1997: 3). The UNDP's *Human Development Report* 1996 expanded on this by criticising "the [economic liberal] myth that economic growth automatically leads to human development", and by looking at a wider range of institutional and social aspects of governance. Since the mid-1990s the UNDP has issued country-wise reports on governance (eg. UNDP 1995b), and looks at range of indicators arranged in state, civil society and private sector groupings..

While many who support the 'developmental state' tend to take an institutional view of governance, there are also many within this same group who also focus on the class and distributional elements of development, thus making their view of governance more broadly social. Hoogvelt (2001: 148-150), for example, discusses the agenda setting role of a global business class, which is focussed on private property and accumulation, while demanding that the state stabilises financial structures. In the current era of international and "unembedded" liberalism she sees powerful bodies such as the World Bank and WTO performing state-like roles, on behalf of this powerful class. She notes that at the 1996 UNCTAD meeting in Nairobi, World Bank 'governance' through structural adjustment was called a form of 'recolonization of the [African] continent' (Hoogvelt 2001: 181). In 1998 PNG human rights activist Powys Parkops (in Dixon 1998) noted that there were now three types of colonialism in the Pacific: old style European colonialism, south-south colonialism (eg. Indonesia in West Papua and East Timor), and recolonisation of the region by the World Bank, the IMF and transnational companies. The issues of recolonisation are the same, Parkops said: "alienation, deprivation of land rights, destruction of the environment" (in Dixon 1998).

There are many prominent critics of neoliberal governance. Chossudovsky (1997) says the 'good governance' of Structural Adjustment Programs has required political repression and the strengthening of internal security regimes, combined with economic repression through the privileging of powerful interests:

> "the very nature of the economic reforms precludes a genuine democratisation .. [SAPs require] the backing of the military and of the authoritarian state. Structural adjustment promotes bogus institutions and a fake parliamentary democracy" (Chossudovsky 1997: 36)

Reporting as an independent expert for the UN Commissioner for Human Rights, Professor Fantu Cheru (1999) found that, in countries under World Bank Structural Adjustment Programs (S.A.P.s), even aggregate growth rates have been lower than in poor countries not under S.A.P.s. These countries "have pretty much ceded their sovereignty to the IMF and the World Bank", and the most crucial impact of forcible liberalisation under these SAPs has been:

> "on the role of the state in national development ... the State no longer acts as a buffer against the world economy, but plays an integral role in facilitating globalisation" (Fantu 1999)

Chavez-Malaluan and Guttal (2003: 1, 3) note that, despite the new language of World Bank/IMF 'Poverty Reduction Strategies' (which replaced SAPs in 1999), "little has changed in the modus operandi of the Bank and the Fund", despite the assortment of required policies

"loosely categorised as 'good governance'". States in developing countries have been required to re-badge their liberalisation programs, but the substance remains much the same. However Treakle (1999) says that the new language of the World Bank is "widening the space for human rights considerations", even as its policies maintain a tradition of "undermining democracy and human rights". The vague formulation of World Bank 'good governance' arguments hardly amounts to a policy of pursuing human rights in development. But much of the new language of neoliberal 'good governance' has been driven by effective attacks on the credibility of neoliberal structural adjustment. In the wake of the 1997 Asian Financial Crisis, Walden Bello (2002: 2) writes of a "crisis of legitimacy" for the global governance of the WTO/IMF/World Bank - after the high point of the WTO's creation in 1995. The response to the crisis has driven up the 'doublespeak'. For several years, Bello has argued that neoliberal 'good governance' and the program of the WTO must be seen as "a continuation or extension of the same northern reaction that drove structural adjustment [in the 1980s]" and that the US Treasury sees the World Bank as "an important arm of US global policy" (Bello 2002: 8 & 11). A study by the General Accounting Office of the US Congress basically agreed with this conclusion, noting that the US Government influences the Bank to pursue action "consistent with the US post-Cold War foreign policy .. [and to expand opportunities for [US] private investment in developing countries", although there were "performance problems" with this task (GAO 1996: 3-4).

Yet the World Bank in recent years has attempted to portray its mission as far more high-minded than this. Alongside the tortured attempts to construct economic models of 'good governance', the Bank's central purpose of facilitating private foreign investment has been masked by a huge array of claims to suggest that it now promotes: community participation and ownership, environmental protection, the advancement of women's rights, support for human rights and anti-corruption. Virtually all of these 'new' objectives respond to specific criticisms that have been made of the Bank. For example, anti-corruption and pro-democracy 'good governance' programs come in the wake of strong and sustained criticism of the Bank for supporting corrupt dictatorships, such as those in Chile and Indonesia. So insistent have the Bank's new claims been that we can now find few references to the much criticised 'structural adjustment' (now 'poverty reduction'), privatisation (now 'partnerships' and private sector 'participations') or loan 'conditionality' (now incorporated as elements of 'good governance').

The complexity of this 'new speak' has made it more important that essential interests be separated from stated objectives, and that the World Bank's model of 'good governance' in Papua New Guinea be properly analysed, and not simply taken at face value. But before proceeding to this - and because 'good governance' is generally set up as the solution to specific problems - we must first look at the different ways in which Papua New Guinea's problems are seen.

3. Papua New Guinea's Assets and Problems

Papua New Guinea's socio-economic problems can be seen in quite different ways, even when looking at what appears to be the same problem. And it would be naive to imagine that any account of the country's problems can be 'objective' or devoid of assumptions about how the country might best develop. Formulation of problems necessarily introduce social values and developmental assumptions. Corruption, for example, could be seen either as a 'dysfunction' influenced by the requirements of tribal loyalties, or as a logical extension of economic liberal privatisation arguments. It is important to understand these problems, as formulations of problems are most often the precursor to proposed policies or 'good governance' models. I intend to discuss PNG's problems in two broad ways: first from the orthodox view of dysfunction within transplanted western social structures, and second as largely the symptoms of a breakdown of traditional community support structures. But before turning to problems, it is equally important to recognise PNG's many assets.

3.1 PNG's assets

If the community and natural assets of Papua New Guinea are downplayed or passed over too quickly, the country's problems are sure to be misunderstood. For example, World Bank claims of community 'participation', and to be involving civil society in development, ring hollow when the Bank is at the same time engaged in repeated attacks on community land title. It is not enough to say the word 'community', without appreciating what it really means.

PNG's principal assets could be seen as these: its community support structures (including customary land tenure), its community and language diversity, its biological and food diversity, and the sound development goals and formal community rights, developed over many centuries and recognised by PNG's constitution.

Community support structures have enabled many PNG communities to survive, share and prosper, over many thousands of years. Most poor communities in PNG do not starve, and (with some exceptions, involving communities alienated from their lands, and areas under heavy population pressures) most of the children of poor families have the security of knowing that their means of subsistence (food, housing, natural medicines) as well as their cultural heritage (language, identity, arts, environment) is protected by the trust and caring relationships of their local communities. Further, the affection and love within communities, as well as the hospitality and generosity towards guests, is maintained by these cultural traditions. Peoples' wishes to access a fuller education and better health care, as well as some modern conveniences, are completely understandable, but should not be at the expense of these invaluable and time-tested community support structures.

Customary land tenure should be seen as a central part of these community support structures, and a social asset, rather than a problem. Business representatives regularly cite land tenure problems as a prime obstacle to investment and development. Putting aside for the moment the self-interest in this criticism, and taking seriously the need to regard land as a productive asset, we also need to recognise the enormous development and social security benefits of customary land tenure. Small farmers are often more productive than large cash-croppers and, as Andrew Lakau says:

> "customary land tenure can be unfairly denounced for not being responsive to increased productivity and economic utilisation of land ... For cash cropping and agricultural development to be boosted, support services and incentives like agricultural inputs, favourable price policies, market outlets and credit provisions, amongst others, will have to be readily available." (Lakau 1994: 79-82)

Community and language diversity is a broader asset of the entire nation - and a value which parallels the country's biological and food diversity. Western scientists often refer to the need to protect biological diversity; less value is recognised in the cultural and language diversity of the country's people. Ignorance of the value of cultural and language diversity is reflected in 'economic' arguments (eg. from AusAID) against 'tokples' (local language) teaching in PNG's primary schools. Yet just as biological diversity is a store of precious treasures, so language diversity is a store of human knowledge of the natural and social worlds, as well as a roadmap of migration trade and human history, as well as a central part of individual and community identity. Papua New Guinea is a unique country and (when combined with West Papua) probably constitutes the centre of cultural, language AND biological diversity in the world. No other country has anything like PNG's 800+ languages. In biodiversity terms, PNG has an estimated 16,000 species of flowering plants, 2,000 fern species, 3,000 fish species, and 300,000 insect species (Sekhran and Miller 1995: 84-87); there are around 200 known species of frogs, 60% endemic (found only in PNG); and about 300 species of lizards and snakes, 32% endemic (Allison 1993); and over 200 species of land mammals, about 80% endemic (Sekhran and Miller 1995: 87-8). An unparalleled and rich diversity of food sources comes with this biodiversity. Poor countries are most often characterised by simple and unvaried food stuffs, with limited nutrition - not Papua New Guinea. But the protection and management of this natural diversity is clearly a matter of appropriate custodianship. It is hardly conceivable that the richness of this biodiversity will survive without protection by its traditional custodians, and this requires the concomitant protection of the custodians' cultural and language diversity.

Finally, it seems important to recognise the contribution of the framers of PNG's constitution, particularly through the 'national goals and directive principles' (Articles 1-5) which, though only in declaratory form, have also been incorporated into domestic legislation. These basic principles spell out notions of 'integral human development', 'equality and participation', 'national sovereignty and self-reliance', 'Papua New Guinean ways' and sustainable development, ie. for PNG's natural resources "to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations." (Article 4). These principles in many respects anticipate the more integrated approach to economic development advocated by the UNDP, in the 1990s. They also provide tools for future generations of Papua New Guineans to argue for economic democracy and for the sustainable management of their country's unique resources. While PNG citizens have often been deprived of effective economic rights, enshrining sound development goals and formal community rights in PNG's constitution is an important achievement and a national asset.

3.2 PNG's problems

I want to outline here several of the chief socio-economic problems facing Papua New Guinea, and to do so with reference to the competing perspectives used to describe them. That is, I will attempt explain how these same problems are often differently portrayed as either 'dysfunction within transplanted western social structures' or as the 'breakdown of traditional community support structures'. PNG's problems are commonly cited as corruption,

poor security (the 'breakdown in law and order'), poverty and ineffective 'development'. Yet to these we must add the serious failures in mass education and health, and the failure to build effective indigenous institutions from public, community and private investment. The categories of problems I will touch on are: (i) poor social indicators, (ii) aid and the colonial legacy, (iii) security problems, (iv) corruption and the 'failed state' notion, and (v) inappropriate investment and the failure of an export-driven growth strategy

3.2.1 Poor social indicators

For all its success as a resource exporter, PNG has poor education and health indicators. With an average level of income which is higher than that of the 35 least developed countries, but lower than that of the average developing country (and great inequality - see Table 4), PNG has some indicators which are abysmal. Maternal mortality, for example, is amongst the worst in the world (World Bank 1999 - see Table 1). This seems to be due to a lack of trained health workers and midwives (Mola 2003), and perhaps inappropriate models of health care. Education levels have improved very slowly (Table 1), with the high cost of secondary education being the main barrier for most families. Improvement in PNG's basic indicators is slow and, in health indicators, below developing country averages. Infant mortality is not only higher than the developing country average, from the 1970s to 2000 it improved at a much slower rate (Table 1).

Table 1: PNG: socio-economic indicators (1970-2001)

	1970-5	1985-6	1990-2	1995/00	2000-1	D/C av. 2001
life expectancy, years	44.7		55.3	55.6	56.7	64.7
Adult literacy, %		52.7	65.3		63.9	73.7
Net primary enrolment, %				85		
Net secondary enrolment, %				22		
Infant mortality, per 1000 live births	90		54		79	61
Maternal mortality, per 100,000 live births			700	370	930*	
Under-five mortality rate, per 1000 live births	130				112	89
GDP per capita (US$ PPP)					2,280	3,983
Exports as % GDP	18	45	41	49	45	
ODA received, % GDP		10.9	12.8/11.3	10.3	7.2	
Average developing country life expectancy	55.6			64.1		
Average developing country infant mortality	108			61		

Sources: 2000-01, 1970 and 1985 figures: UNDP (2002) *Human Development Report 2002*; 1992 figures: UNDP (1994) Human Development Report; 1986 figures: World Bank (1988) World Development Report; additional 1970 and 1992 figures: World Bank (1994) World Development Report; * 1999 maternal mortality figures: World Bank (1999) *Papua New Guinea: improving governance and performance*, October 22; Developing country averages: UNDP (2002) Tables 1,8

Poverty measures are often unsatisfactory, especially in developing countries with large informal sectors. Income measures (used to measure inequality and poverty in countries with large formal sectors) are generally inappropriate, as they do not account for the quality (or otherwise) of subsistence lifestyles. The World Bank (1999: 73) begins by using consumption

figures to define poverty in PNG, but these are not much better, as they revert to income and expenditure measures. Single dollar figures are attractive for those who attempt to link aggregate growth and average income measures with 'poverty reduction', but they miss some important distinctions. In my view, poverty in a country like PNG would be better measured by a group of real nutrition, health and education indicators, such as those compiled by the UNDP. The single figure index is attractive but misleading.

PNG's great 'development' failure since independence seems to be the failure of mass education and health. Many poor countries have better mass education outcomes than PNG. The UNDP tells us that adult literacy is now about 64%, up somewhat from 53% in the mid 1980s (Table 1), but still very poor in international terms. The developing country average adult literacy is now almost 74% (UNDP 2002: Table 1). The UNDP says (on the basis of PNG Government information) that primary enrollment is about 85%, but surveys also tell us that 40% of PNG women have *never* been to school. Official figures show a crash in enrolments at secondary level, to only 22% (UNDP 2002: Table 10). The reason for this is rather obvious. Secondary school fees are 1,000 Kina per year or more, and most poor families (who often *do* value education for their children) can't afford to pay for one child to go to secondary school, let alone five or six children. This failure in education aggravates health outcomes. Health facilities throughout the country need trained health workers. Most district hospitals have no doctor.

Simple economic growth, as promoted by the World Bank, is clearly not the answer. The Bank's own figures show that as this does not necessarily translate into better social indicators. Nor does infrastructure solve the problem. Although PNG has as good or better health infrastructure (health centres and hospital beds per capita) than Indonesia and China, and similar levels to those of Thailand and Vietnam, its health indicators (infant, child and maternal mortality) are far worse than the indicators of all these countries (see Table 2). This is mainly due to a lack of trained health workers. Vietnam demonstrates that even a country with a much lower income level than PNG can achieve better health outcomes.

Table 2: Comparative health indicators: 1998

	PNG	Indonesia	Thailand	China	Vietnam
Health centres per 100,000 people	14	3	14	6	17
People per hospital bed	260	1,743	665	465	389
Infant mortality: deaths per 1000 live births	62	49	34	33	38
Under 5 mortality: deaths per 1000 live births	85	60	38	39	-
Maternal mortality: deaths per 100,000 births	930	390	200	115	-
GNP per capita (average)	890	680	2,200	750	330

World Bank 1999: 88

PNG's social indicators, though bad, were recently misrepresented by the former regional head of the World Bank. In a speech at the University of Sydney Klaus Rohland (2002) claimed that PNG ranked 164th on the UNDP's Human Development Indicator listing, near Djibouti and Chad. In fact, according to the UNDP's *Human Development Reports* for the relevant years (2000-2002), PNG has ranked 133rd, with an average life expectancy 10-13 years more than Djibouti and Chad (ranked 149 and 166, respectively). I point out this error to demonstrate that figures and criticisms (let alone suggested remedies) are often used rather loosely when it comes to PNG, including from those who should know better. PNG has been let down badly by its development advisers, as well as its leaders.

3.2.2 Aid and the Colonial legacy

Ted Wolfers reminds us that PNG's colonial history was peculiar for the Australian neglect of investment and education. The main features of colonial rule were its racial division, the use of arbitrary power, regarding politics as 'technical', neglect in educating an indigenous elite, and late controlled development (Wolfers 1975: 1-9, 160). Many of these themes remain. Neocolonial agents (AusAID, the World Bank, mining and logging companies) maintain a de facto racial divide (despite the rise of a small local elite); money is pumped into 'law and order' campaigns, with little regard for local political sensibilities or the root causes of crime; and mass education has been marginalised by the aid agencies (despite the 'icon' developments) in favour of the investment needs of foreign corporations, such as Rimbunan Hijau, News Limited, Ramu Sugar and RD Tuna. The theme of 'controlled development' (Wolfers 1975: 6) has run like a thread from the colonial period to the current day.

For example, in 1986 Australian Foreign Minister Bill Hayden linked development assistance to future purchases of Australian rice. According to PNG's Foreign Minister, Hayden "expressed the Australian Government’s very strong concern at plans by Papua New Guinea to import US rice which would threaten the Australian rice industry" (Vagi 1986: 4). US imports were soon abandoned in favour of Australian rice, and Australian aid has not helped PNG cultivate a local rice industry. PNG, a food rich country, had developed a dependence on a basic, non-traditional food grain; but it continued to rely on imports to meet the demand. By 1998 PNG's rice imports totaled A$138m, though they fell to A$86 million in 2000 (International Trade Centre 2003). In 2003 the Australian Government still sees Papua New Guinea (its biggest aid recipient) as a major commercial opportunity. The strategic plan is to double Australian private corporate trade in the Pacific, between 2001 and 2006, although investments in PNG are now regarded with some pessimism (Stortz 2003: 48).

Aid at a micro and macro level seems to have become a form of perpetual patronage, which destroys the self-esteem of the recipients, just as it inflates the self-importance of the 'aid industry'. Yet most of these highly paid tourists are profiting from the goodwill afforded a poor country. They would all be better considered business people, than 'aid' workers, let alone as people capable of advising the country of its development future. The aid industry has generated a widespread culture of dependence and hopelessness, from which PNG people will take some time to recover. The PNG Government now routinely withdraws from infrastructure projects which are supported by the World Bank or AUSAID. And local communities are just beginning to resist large industrial projects (in particular: logging, mining and cash cropping), which are often supported by the World Bank and AUSAID. A handful of major court cases (for example, through the Environmental Law Centre) are

focussed on some of these projects. This conflict comes from the widespread recognition, in PNG, that most large aid and 'development' projects generally benefit the elites. For example, AUSAID's Incentive Fund over 2000-05 is backing the construction of world class facilities for two of the six tertiary institutions in Madang (the Catholic Church's Divine Word University, and the Maritime College); but Madang has very few secondary schools. Only two poor primary or secondary schools in PNG have secured Incentive Fund grants. The vast majority of beneficiaries are elite institutions (PNG Incentive Fund 2003)

3.2.3 Security problems

Violent crime in PNG is high by world standards, and is greatest in the major cities (Port Moresby and Lae) and on the big commercial road, the Highlands Highway. The World Bank (1999: 109), drawing on one UN survey, reports the violent crime and larceny rates in 'PNG cities' as higher than those of Johannesburg or Rio de Janeiro, and as amongst the highest in the world. This is misleading. There is no doubt that violent crime in PNG is high, and homicide levels seemed to reach a peak in the late 1990s. But the World Bank (1999: 109) wrongly presents PNG as a homogenous country. PNG's crime rates are not homogenous, nor quite so extreme. PNG's homicide rate is much higher than that of Australia, but also much lower than that of South Africa and Brazil (see Table 3). (I have taken homicide as a proxy for violent crime - sexual assault and robbery rates are much less reliably reported - if compared, these would show much higher rates in Australia than in PNG.) To put the problem in context, there are several countries (excluding countries at war) that have much higher rates of homicide than PNG. And violent crime in the regions and villages is very low.

The South African comparison is a good one, but the Johannesburg figures probably do not include crime in the outlying townships such as Soweto, whereas the Port Moresby and Lae figures do include the 'settlements' around these towns. For all the concern about crime amongst wealthy expatriates (most of whom live and work behind walls of razor-wire), the sad fact is that most violence is amongst poor people in the shanty towns - often organised retribution for crimes, and along communal lines.

Table 3: Homicide Rates: some international comparisons

	1998-99
PNG	10
Australia	2
England and Wales	1.4
Germany	1.2
USA	6.3
Washington DC	50
South Africa	57.5
Russia	20.2
Estonia	13.5
Jamaica	37
Brazil	26
Rio	60
Sao Paolo	66

Sources: PNG: World Bank (1999); Australia: AIC (2000); Washington/Jamaica: Kovaleski (1999); Brazil: Buckley (2000) other countries: Barclay and Tavares (2002)

Business organisations seem primarily preoccupied with the safety and property concerns of foreigners (Donnelly 2003); but security problems in PNG are not nearly as widespread as imagined, and the high figures in the major cities are outweighed by very low figures in the rest of the country. Violent crime is therefore not fundamentally a product of fierce tribalism (as is sometimes suggested in Australia) but mostly a response to the gross inequalities of the dual economy, in the major cities, and to the breakdown of community support structures - structures that function quite well in regional and village settings. The shocking and concentrated inequality, in Port Moresby, is widely seen as illegitimate (a refusal to share), but the aid industry generates, tolerates and flaunts this inequality. Inequality in PNG is high (Table 3) but much higher in the socially fragmented world of Port Moresby. World Bank consultants (often paid US$1,000 per day or more) continue to argue for the abolition of a minimum wage (of around US$2 per day). Unfortunately, there is then a generation of young people in the cities which grows up accustomed to the culture of violence.

Table 4: Inequality in PNG (2000-01)	
Inequality: richest 10% to poorest 10% (consumption)	23.8
Inequality: richest 20% to poorest 20% (consumption)	12.6
Source: UNDP (2002) *Human Development Report 2002*	

Port Moresby Police Chief Emanuel Hela recognises that burglaries and robberies in Moresby are strongly linked to the massive and rising unemployment (85,000 in 2003) in the city (Post Courier 2003a). Wider studies have shown that neighbourhoods with higher levels of labor market instability have higher rates of violent crime, poverty and income inequality (Crutchfield in Travis 1997). Further, inequality or 'relative deprivation' is more important than poverty or absolute deprivation as an aggravating factor for crime. Many economic analysts pay little attention to inequality, regarding it as adding to the incentive to participate in markets. But if developmental analysts (such as those at the World Bank) are concerned about the links between crime and development, they must consider inequality, as well as poverty. After considering a range of international evidence Braithwaite (1978: 60) argued that it was "not so much the number of poor in a society that is generative of crime as the income gap between rich and poor". This helps explain why the highest crime rates in the world occur in the countries and cities with the greatest inequality - South Africa and Brazil.

On top of the 'aggravation by inequality' explanation of crime rates, we need to consider two more factors. First, as Woods (1978: 46) says:

> "If the rich can persuade the poor that the reasons for the existence of a wide gulf are legitimate, the dissatisfaction with the condition of society will not be manifest ... relative deprivation will be a spur to crime only in societies where the justifying ideology fails to persuade the relatively poor that their situation is, although unfortunate, necessary. Where those who starve to death .. are convinced that there is traditional or religious justification for the caste stratification of society, they will accept their lot in life and death."

That is, 'illegitimate' inequality is a further aggravating factor. In my view this points to a rather ugly role that economists and politicians play, in developing countries. If masses of people can be convinced (for example) that a foreign consultant's labour is somehow worth 500 times that of a local worker (by 'market forces'), then inequality will be tolerated. However if this is seen as unfair, and morally exploitative, there will be a social reaction, and

part of this reaction will include theft, burglary and robbery. Some researchers looking at indigenous communities in Australia have also observed that "some property offences, vandalism, assaults, and behaviour classified as offensive can [best] be understood as a form of resistance" (Cuneen and McDonald 1996: 53). So in a post-colonial setting, the extent of inequality, the perceived illegitimacy of this inequality and resistance to this inequality can all be aggravating factors of crime, including violent crime. Yet none of this presents a valid reason to disguise the social and moral dimensions of inequality in PNG. That is, we cannot legitimately 'hide' or justify gross inequality, so as to dampen resentment and crime.

Pouring millions of dollars into a deeply corrupt police force (per successive AusAID programs), or providing training from Australian police forces which themselves have long histories of brutality and corruption (eg the New South Wales Police Service), is hardly a serious answer to PNG's security problems. Nor is the country helped by policies of indiscriminate economic growth, to create formal employment in the cities, when the basis of healthy lifestyles in PNG's villages is being eroded by logging, cash cropping and dispossession. Social security, education, basic infrastructure and appropriate industry at the local level is required to stabilise the drift to the cities and the desperation in the settlements. These considerations must underlie a real and longer term approach to crime and security.

3.2.4 Corruption and the 'failed state' notion

There is no doubt that corruption is well entrenched amongst the elite strata in Papua New Guinea. Aid money is siphoned off and large companies make secret payments to local power brokers for unfettered access to PNG resources. Businesses (World Bank 1999: 121) and NGOs complain of the all pervasive networks (TK 2002), and police reports (eg Ove 2000) document it. Former Prime Minister Sir Mekere Morauta admits the depth of it:

> "I think it would be fair for me to describe corruption as both systemic and systematic; systemic because it has invaded the whole process of policy making and decision making. It has drowned the whole system, so it's systemic. It's systematic because it's organised." (Morauta 1995)

The World Bank says that corruption "appears to have increased considerably over the past 10 years," citing a recent survey in which 35 percent of firms claimed that they had to make unofficial payments (World Bank 1999: 112).

However corruption in PNG is top down, and not simply 'home grown', but rather a logical corollary to the private-profit and privatisation driven development agendas. Successive World Bank officials have signed up as highly paid PNG government consultants, and highly paid Australian consultants have become accustomed (over decades) to taking a large share of PNG's aid and development moneys. Little wonder, then, that many PNG political leaders have successfully joined this parasitic class, through both legal and illegal means.

Associated with the corruption are numerous acts of mismanagement and abuses of power. The National Government, for example, has had to put aside a growing pool of contingency funds (estimated at 90 -120 million Kina) to cover claims against the state, mostly due to broken contracts. Some of these claims are even by PNG politicians (Lahari 2003; Kapigeno and Kapi 2003). Conflicts of interest are many and varied. There have also been secret contracts between Government officials and corporations, dealing in the land of traditional owners, but without informing let alone involving the traditional owners (Paol 2003). The problems are many yet, in principle, these are matters for the PNG people to sort out with their governing institutions. PNG is hardly the only country in the world with such problems.

However the failure of the state to deal with this corruption (along with the law and order problem) makes up an important part of the claims that PNG is at imminent risk of becoming a 'failed state'. It is not immediately clear what this ominous suggestion means, but the notion has been picked up and repeated. Some Australian writers have made alarmist claims that 'government collapse' and a 'failed state' in PNG could pose a threat to Australian security, because of a drugs-for-arms trade and supposed terrorist opportunities (Windybank and Manning 2003). But while there is some evidence of the former (in a minor way) there is none of the latter. The notion of a 'failed state', internationally, has been in relation to collapsing and dissolving states, and has indeed been linked to problems of international security, raising the question of international intervention (Thürer 1999).

However, despite the problems of government and governance in Papua New Guinea, the notion of a 'failed state' is both inappropriate and dangerous. As Sinclair Dinnen says, it is based on an assumption that "at some point there was an effective centralised state", operating in a western way, and a state that was in decline rather than in the making (Dinnen 2003). Brian Brunton (2003) says PNG is better regarded as an agglomeration of successful communities, whom the state has failed. The danger of the 'failed state' idea is that it may lend credence to the idea that foreign (ie. Australian) intervention (military intervention and direct economic controls) in Papua New Guinea is justified. Such intervention is already taking place in the Solomon Islands. But direct Australian intervention would be a flagrant breach of the right to self-determination, and would certainly be primarily used to entrench and develop Australian economic interests. Such economic interests are at the forefront of concerns in Australian semi-official suggestions of a 'failed state' in PNG. The 'failed state' idea has been linked to the closure of mines, oil pipelines and fears for foreigners; conversely, 'success' in international ratings terms are linked to new foreign investments such as tuna factories and oil palm developments (Donnelly 2003). These by no means represent the priorities of ordinary people in Papua New Guinea. Australia's economic strategy for the Pacific is to double its export trade in the five years from 2001-2006 (Stortz 2003), and it is clear that any 'failed state' in the Pacific will be a state that stands in the way of this servicing of Australian corporate demands.

3.2.5 Export driven failure - inappropriate investment

While a great deal of attention is given by Australian Government and the World Bank to foreign investor confidence, and the scale of large investments in PNG, much less attention is paid to the *appropriateness* of such investments. Yet qualitative concerns are central to the question of whether investment in PNG constitutes a problem or a solution. When PNG communities experience the full impact of destructive developments that alienate land, such as large scale logging and large scale cash cropping, a range of associated problems arise. There is dislocation of families, the creation of settlements around towns, poverty and unemployment, the breakdown of social support systems and petty disputes leading to violence in the settlements. In short, inappropriate development and investment that appears attractive to many foreign analysts, can be at the root of most of PNG's serious social problems. So it is not possible to conclude a discussion of PNG's problems with taking into account the export-driven model itself.

Yet rather than respect and build on PNG's wise constitutional principles of development (the 'national goals and directive principles'), both the Australian Government and the World Bank

have demanded an export-driven approach to development. This has been a spectacular failure in PNG. The country has had phenomenal sustained 'success' as a resource exporter; but this has not helped most PNG people. Between 1965 and 1980, PNG's average annual export growth rate was a massive 12.8%, while imports only grew at an average 5.6% (World Bank 1988). Export growth fell in the 1980s, but throughout the 1980s and 1990s exports remained at very high levels, consistently well above 40% of GDP (see Table 1). There are few countries in the world (with the exception of some oil exporters and other poor countries under Structural Adjustment Programs) with this level of export performance. In conventional terms, this should have been a world class *success story* of export oriented development - but it was not.

In the same decades (1970s-1990s) that PNG had great export driven 'success', dependence on imported basic food grains (mainly rice) increased, and average energy consumption fell, just as energy exports were rising. Cereal imports between 1980 and 1993 rose from 150 to over 220 thousand tonnes (World Bank 1995: Table 4). The World Bank seems to have no problem with food import dependence, but as a development economist I believe it is a serious problem, especially for a resource-rich but cash-poor country. And while the average annual growth rate of energy production (mainly oil) in PNG, from the 1970s to the 1990s, grew from a strong 12% to a phenomenal 20%; growth in energy *consumption* contracted, from 6.7% to 2.4% (World Bank 1995: Table 5). In other words, as oil exports were *growing* strongly, ordinary peoples' progressive access to energy *contracted*. Exports do not equal social welfare.

A rampant drive for exports has overwhelmed procedures supposed to protect communities and their environments. This is not simply the fault of deeply corrupt PNG Governments. The World Bank and the Australian Government's over-arching demand has been for an export driven industry, making use of PNG's rich resources. They have succeeded in this aim, but they have failed the people of PNG. Local communities have not benefited from large mines and commercial logging. A survey in 2002 of the 33 villages between the Ok Tedi mine and the port at Kiunga, in Western Province (the centre of current logging and mining operations), showed that less than 1% of people had electricity, only 12% had some form of secondary education, and 96% had no source of money income (*Tok Tedi* 2002: 10). The World Bank's own internal audit admits that "the growth of the oil and gas industry has not led to sustained economic benefits to [PNG]" (World Bank Group Operations Evaluation Department 2003). Mining and logging operations have lifted PNG's GDP per capita, boosting exports and creating the illusion of a higher income society; but these same industries have in fact undermined community welfare, in most cases. It is now fair to say that no PNG local community enjoys any lasting benefit from large scale commercial logging or mining operations. On the other hand, many suffer lasting damage.

Nor does the wider society see much benefit - the economic 'cross-linkages' created by mining and logging developments are extremely weak (as opposed to, for example, the strong cross linkages of small scale village industries, or a widespread tourist industry). I mentioned above the failure of the Ok Tedi mine to benefit communities between the mine and the port, while at the same time devastating the ecological systems of the huge Fly River. The position is much the same with export driven logging - still at the centre of PNG's developmental strategy. More than half the accessible rainforest of PNG has now been logged, devastating the country's natural heritage, and adding next to nothing to current living standards.

International comparisons tells us that the failure of export-led strategies is not unique to PNG. While export strategies are good for foreign companies seeking access to cheap resources in developing countries, they do not correlate with rising living standards and improved social indicators. Table 5 tells us that, even in wealthy OECD countries, great success in exports does not translate into superior social indicators. Ireland for example, has had enormous sustained success with exports, but this has not led to better than OECD average progress in basic health and longevity indicators. And 'champion' resource exporters in the developing world - like PNG, Nigeria and Angola - have *much worse* than developing country average progress in social indicators. How can this be, when orthodox theorists tell us that exports will supplement incomes and raise living standards? It is not simply bad management or corruption. Even in wealthy countries, export industries can damage the environmental quality of life and displace local industries. But in developing countries the position is worse, because export industries can and do destroy healthy subsistence lifestyles and divert the massive short term income to elite and foreign investor groups. This is the typical 'dual economy', with weak 'cross-linkages'. It is a model promoted by the World Bank, across the world.

Table 5: Export orientation and development: international comparison

	exports as % GDP		life expectancy			infant mortality		
	1990	2000	1970-75	1995-00	% Δ	1970	2000	% Δ
Australia	17	20	71.7	78.7	9.8	17	6	64.7
Germany	29	33	71	77.3	8.9	22	4	81.8
Ireland	57	88	71.3	76.1	6.7	20	6	70
OECD av.	18	21	70.4	76.4	8.5	40	12	70
Papua New Guinea	41	45	44.7	55.6	24.4	90	79	12.2
Nigeria	43	52	44	51.3	16.6	120	110	8.3
Angola	39	90	38	44.6	17.4	180	172	4.4
Developing country av.	26	34	55.6	64.1	15.3	108	61	43.5

Source: UNDP (2002) Human Development Report

Industrial developments, which might have had stronger cross linkages than mining and logging, have also proven disastrous. The RD Tuna wharf and cannery operation at Madang illustrates how poorly controlled foreign investments can damage a community's resource base, its environment and local social structures, without providing significant compensating benefits or even a broader social surplus. Firstly, the land for RD's wharf facility (and future cannery extension) is taken from the traditional owners (the Kananam community) by underhand means. An agreement between the local Catholic Church, the Regional Government and the Philppino company (RD Tuna) bypassed Kananam leaders. Secondly, the PNG Government waives all taxes on RD Tuna operation (for five, and then ten years), and allows no local equity in the operation. Thirdly, the cannery maintains the lowest possible wages (US$1.5/day) for most workers, poor job security, no effective trade union, unsanitary conditions and has no PNG nationals in senior management. Finally, fishing operations and

discharges from ships depletes local fish stocks and seriously damages the marine environment of the Madang lagoon (Yasangi 2003; Paol 2003; Gem 2003; Hare 2003; Sungai 2003). Even before corrupt favours are considered, the push for export-led developments encourages such indiscriminate and inappropriate development.

Export-led growth strategies have failed the people of PNG. While investment was and is needed, it must be appropriate investment that does not damage the country's main assets. What is needed is *less inappropriate investment* - in mining, logging and large scale cash cropping - and *more appropriate investment* (for example, investment in community industries, education, tourism development and infrastructure), that supports and maintains the country's community support structures, its community and language diversity, its biological and food diversity, and the sound development goals and formal community rights enshrined in its constitution.

4. What is the World Bank?

For all its 'new-speak' (including 'good governance'), the World Bank (actually the World Bank Group, which includes the IBRD, the IDA, the IFC and some other organisations) is a public body committed to privatisation. That is, it is supported by rich country subscriptions and interest payments from poor country loans; but while it loans and gains income on money like a private bank, it does not disperse profits to shareholders - its member states. So it is a public body. The Bank was involved with the post World War 2 reconstruction of Europe, but is now mainly engaged in meddling in the affairs developing countries, seeking advantages for wealthy private foreign investors while claiming to be acting in the best interests of poor people. The Bank is a 'corporatised' public international institution. However its central purpose is to facilitate private foreign investment, by supplementing and helping create the conditions for new investments (generally in developing countries), or the takeover of publicly owned institutions and markets (privatisation). Article One of the World Bank's Articles of Association makes clear the focus on private foreign investment; but more recently publications suggest a diverse range of aims, from 'poverty reduction' to 'community empowerment' (see Table 6). Yet how seriously can we take these stated aims?

Table 6: World Bank aims - constitutional and stated

Articles of Agreement 1944 (Constitution)	Mission Statement & current objectives
"Assist in reconstruction and development .. by facilitating the investment of capital" (Art 1.1)	"Our dream: a world free of poverty .. we can give our childen a more peaceful and equitable world"
"Promote private foreign investment .. and supplement private investment" (Article 1.2)	"To fight poverty with passion and professionalism for lasting results. To help people help themselves"
"Encouraging international investment ... to promote .. growth of international trade and ... equilibrium in BoP" (Art 1.3)	"to reduce poverty and improve living standards through sustainable growth and investment in people"
Original members are IMF members -- nation-state 'shareholders' (Art 2)	communities are 'stakeholders' in World Bank programs
"Political activity" by the WB is prohibited (Art 4.10) - this may exclude many civil and political human rights issues	Support for human rights, education of women, environmental protection, community empowerment, 'good governance', etc

Source: World Bank (2001) 'Articles of Agreement', www.worldbank.org;
& World Bank (2001) 'About the World Bank Group', www.worldbank.org

The increasingly complex and nice sounding language of the Bank demands that we disentangle its stated and actual aims. I will argue here that, despite the 'new speak', the World Bank has not substantially departed from its initial focus on facilitating private investment. There are three reasons for this: the clear aims of Article One of the Bank's constitution (Table 6), the neoliberal ideology of the bankers and the clear investment interests of the Bank's major shareholders (G7 nations hold half the Bank's shares). The historical practice (Structural Adjustment Programs) of the World Bank confirm this. The Bank's view of 'good governance' should be seen as, if one were generous, an extremely constrained one; or, if one were blunt about it, an exercise in massive deception.

4.1 Some background

At the 1944 Bretton Woods conference (in the USA) the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD: the World Bank) were created. This conference included the western European powers (minus Germany and Italy) and the US, but was dominated by the US. The IMF was set up to supervise the foreign exchange needs of its member states, while the World Bank was set up to regulate longer term private capital development. These institutions were designed to deal with anticipated foreign exchange and investment problems within the world capitalist system, after World War Two. The conference, after discussing a possible world currency (proposed by John Maynard Keynes, from Britain) settled on the US dollar as the de facto world currency, with all other currencies fixed in value against the US dollar. This system lasted till 1971, when it was abandoned by the US.

The IMF's aim is to promote international monetary cooperation and to create and manage a multilateral payments system (Article One). It takes deposits from member states and allows them (when there is a foreign exchange shortage) to withdraw up to 25% of their 'quota' without conditions. However there is a 7% interest charge and mild conditions for the next 25% of quota withdrawal, and 7% (or commercial cost) and stringent conditions for any subsequent borrowing. Each member state of the IMF has 250 votes, but additional votes are according to a country's Special Drawing Rights (SDRs), which are based on the country's income, reserves and trade. This means that the USA has 17.2% of the votes at the IMF, and the G7 group has about half the votes. Even very large developing countries like China (2.95%) and India (1.9%) have only a small proportion of votes at the IMF (IMF 2001). The headquarters of the IMF is in Washington and, by convention, the director is a European, while the IMF Deputy and the World Bank President are US citizens. Directors of the IMF and World Bank are the Finance Ministers or Treasurers of member states, and senior IMF/World Bank officials.

The World Bank has a similar share ownership structure to the IMF, and often coordinates its programs with the IMF; in fact every member of the World Bank must first join the IMF. But the Bank's mandate is to organise longer term finance for reconstruction and development. It began by helping organise capital for the reconstruction of war-torn Europe in the 1940s, but is now better known for organising loans and Structural Adjustment Programs (from 1999 these are called 'Poverty Reduction Strategies') in poor countries. The International Development Association (IDA) is the 'soft loan' arm of the World Bank, supplying very low interest (less than 1%) loans to the poorest countries, but with severe conditions. 'Part I members' of the IDA are wealthy countries, such as Australia, which contribute funds, in the hope that the Bank will organise new private investment opportunities for their large companies. 'Part II members' are poor developing countries which may be able to access IDA loans. These countries pay lower subscription fees. As at 2002 countries with annual per person gross income of less than US$885 (ie. *not* PNG) were eligible for such loans.

The World Bank says that it is "the world's largest source of development assistance, providing nearly $16 billion in loans annually to its client countries". It says that it uses "its financial resources, highly trained staff, and extensive knowledge base to help each developing country onto a path of stable, sustainable, and equitable growth in the fight against poverty" (World Bank 2001c). The World Bank stresses its anti-poverty mission, and its other more recent programs, such as anti-corruption, environmental protection and education for girls. However the Bank's constitution requires it to pursue all such ends

consistent with the promotion of private foreign investment. Its constitution also bars it from 'political' activities, which have been taken to mean engagement with many human rights concerns, surrounding its own activities. Instead, the World Bank claims that its capital liberalisation programs (which are made a condition of all its lending) actually produce good human rights results. The variety of claims about what the World Bank really stands for makes a more careful examination desirable.

Prior to 1995, the World Bank placed great emphasis on large infrastructure programs, such as the building of dams, roads and power supplies. Much of the money spent in these projects went to large western construction companies. After serious criticism of these projects - including criticism of dam building, which led to the setting up of an inquiry by the World Commission on Dams (2000) - the World Bank changed some of its lending practices. It now says its lending for large electricity projects is 5%, down from 21% in 1980 (World Bank 2001d). However, the World Bank has handed much of the responsibility for financing infrastructure in the Asian-Pacific region to its partner the Asian Development Bank, and there is pressure from the G7 for both Banks to focus on facilitating private investment in the areas of health, education, water and sanitation (Costello 2002: 15). These are the very same areas large European and US corporations are seeking access to through the GATS agreement on 'services' at the WTO.

4.2 'Structural Adjustment' becomes 'Poverty Reduction'

The World Bank's claim that it promotes a model of 'good governance' has to be read against its two decade history of Structural Adjustment Programs, including the S.A.P.s in PNG. In September 1999 the IMF and World Bank renamed their S.A.P.s 'Poverty Reduction Strategies'; but independent observers rapidly concluded that there had been no great change in the substance of these programs. The World Development Movement (2001) in London concluded that the policy content of PRSs "does not constitute a major change from the past" and that this was "particularly worrying given the substantial body of evidence showing that Structural Adjustment Programmes did not reduce poverty". The IMF renamed its "Enhanced Structural Adjustment Facility" the "Poverty Reduction and Growth Facility", but a 2001 report from the US General Accounting Office to the US Congress concluded that the IMF's new program "differs little from its previous program" (GAO 2001).

Structural Adjustment Programs (SAPs) were associated with loans from the IMF and the World Bank, especially since the debt crisis of the early 1980s (eg. Argentina, Mexico, Brazil, Ghana, Nigeria), but also in Eastern Europe in the early 1990s, and during the Asian Crisis of 1997 (Thailand, Indonesia, South Korea). SAPs impose conditions on short term hard currency loans (IMF) or longer term loans (World Bank). A combination of similar conditions, including detailed scrutiny of all government policies, will be enforced through memoranda of agreement, 'letters of intent' and the gradual release of funds. These conditions typically include:

- Removal of price subsidies and price controls
- Deep cuts in tariffs and other trade controls
- Immediate devaluation of the currency, and liberalisation of foreign exchange controls
- Promotion of export industries
- High interest rates, to prevent inflation and attract foreign capital
- Reduction of government services and a shift to 'private service provision' and public-private 'partnerships' in some infrastructure

- Privatisation of profitable state owned enterprises

The claimed rationale for a SAP is to restore 'natural price' signals in the 'marketplace' and to create the conditions favourable for private foreign investment and expanded trade. The IMF also argues that a SAP is required for stabilisation and restoring foreign exchange earning capacity. The World Bank argues that SAPs embody the 'sound' policies required for growth, development and poverty reduction, and for most other social goals. But whatever the IMF and the World Bank say about poverty reduction, participation, the environment, gender, food security or human rights, they offer the same *means* of reaching those goals -- expanded private foreign investment, the development of private markets and liberalised international trade. These organisations are hostile to public investment, the creation of public economic institutions, and the regulation of prices for social objectives.

The policies required under a SAP are much the same as those required by: the World Bank's soft loan arm (the International Development Association - IDA), the World Bank's debt buyout scheme for heavily indebted poor countries (the HIPC Debt Program) and programs set up for the 'transition' (formerly socialist) economies. For example, the World Bank's 1998 program for Vietnam involved budgetary control, privatisation, banking liberalisation and trade liberalisation. The World Bank (1998) aimed:

> "to assist Vietnam in sustaining a high growth rate and to make a smooth transition to a market economy by strengthening macroeconomic stabilisation. To meet this objective, the Structural Adjustment Credit (SAC) addressed four priority areas: (1) fiscal management, (2) state enterprises, (3) the financial sector, and (4) foreign trade policy"

There is much agreement about the need to reduce poverty. The real argument is over *which means* are used to reduce poverty. Because the World Bank is so committed to capital liberalisation, its evaluations of poverty reduction programs more often focus on these means than on the actual outcomes. For example, in its review of assistance to Bolivia the World Bank (1998) states the standard economic liberal position:

> "Faster broad-based growth, the key to poverty reduction, can only be achieved through private-sector development. The Bank must help Bolivia remove its remaining governance and institutional constraints against private-sector development and continue to develop its capital market."

At the same time, World Bank President James Wolfensohn was forced to admit that Cuba, a country with highly regulated private markets and carefully controlled private investment, has much better social indicators than those of most World Bank client states. Although virtually an 'anti-model' of development in World Bank terms, Cuba was doing a "great job on education and health" Wolfensohn admitted (Lobe 2001). Cuba has the best health care system in Latin America (Anderson 2002), yet World Bank programs do not allow the possibility of countries learning lessons from Cuba.

A significant amount of research has argued that capital liberalising 'structural adjustment' actually aggravates poverty in poor countries. For example, researchers Cheru (1989), Khan (1993) and Watkins (1999) have argued that IMF and World Bank Structural Adjustment Programs have worsened poverty and social conditions and have damaged democracy. The World Bank has been keen to counter this, with its own research, which always seeks to link private market development with growth and poverty reduction. Nevertheless, because of the widespread concern about the adverse effects of Structural Adjustment Programs, the World Bank in 1996 accepted an NGO challenge to set up a 'Structural Adjustment Participatory Review Initiative', involving six countries under SAPs. In a recent report on this review the World Bank (2001a) reviewed the research on SAPs, noting that half of the reports found that

SAPs have had an adverse impact on poverty. The other half (most written by World Bank staff) were either inconclusive or found that 'effective' SAPs were associated with improved growth and reduced poverty. (Weeks (1997) has been highly critical of the methodology of one of these 'positive' studies.) Despite the positive spin placed on all research about Structural Adjustment Programs ("In many of the SAPRI countries, the broad objectives of macroeconomic reform have been achieved"), the World Bank acknowledged that "potentially adverse effects were apparent in some of the SAPRI countries". These adverse effects included: reduced government employment and spending on social services, reduced employment security and increased prices for food which "hit the poor especially hard" (World Bank 2001a: 39).

The more independent critics of structural adjustment go further than this. Reporting for the UN Commissioner for Human Rights, Professor Fantu Cheru (1999) concluded that countries under SAPs "have pretty much ceded their sovereignty to the IMF and the World Bank". SAPs involved 'forcible liberalisation' and their most crucial impact had been

> "on the role of the state in national development ... the State no longer acts as a buffer against the world economy, but plays an integral role in facilitating globalisation" (Cheru 1999)

Noting the IMF and World Bank reliance on generalised growth rates to reduce poverty (through the 'trickle down' effect), Cheru points out that some IMF and World Bank studies (eg. an IMF study for 1973-1988, in Cheru 1999) have found that even aggregate growth rates in countries under SAPs can be lower than those in countries not under SAPs. In southern Africa "World Bank adjustment lending has not significantly affected growth and has contributed to a statistically significant drop in investment ratios" (1992 World Bank study, in Cheru 1999). SAPs also "privileged efficiency, productivity and groups engaged in export ... at the expense of civil liberty and self government" (Cheru 1999).

In 1991 the UN's Special Rapporteur on Discrimination Against Minorities, Mr Danilo Turk, found that SAPs jeopardised the rights to work, to food, to housing, to health, to education and to development (Turk 1991 in Cheru 1999). The burden of structural adjustment in Africa had fallen on those dependent on domestic investment and government services (Turk in IDIC 1993). Cheru (1999) adds that SAPs added to the repression of labour rights, to the deterioration of environmental assets and to the widening of income disparities

> "while the percentage of poor people has nearly doubled in many countries implementing SAPs, the share of national income received by the richest segment of the population has increased sharply over the last 15 years" (Cheru 1999)

A large NGO monitoring group (paralleling the World Bank's SAPRI program) looked at structural adjustment across many countries and found that SAP privatisation processes had contributed to an increase in unemployment and job insecurity, had weakened workers' rights and had increased service costs while reducing service quality. In some cases privatised services had become more inefficient than public enterprises. Similarly, SAP policies of capital and trade liberalisation had weakened agricultural sectors, impacted negatively on women and unskilled workers and had aggravated inequalities. A higher level of abuse of labour rights, a fall in real wages and increased inequalities had been associated with moves towards greater labour market 'flexibility'. Public expenditure cuts and increased user fees had damaged access to health care, education and housing for poor and disadvantaged groups (SAPRIN 2000).

Poverty and other critical social indicators are difficult to chart in poor countries, where there may be little systematic data collection. But with the global trend for gradually increasing life expectancies (an average 10% increase between the early 1970s and the late 1990s), it is disturbing to note that a number of countries under SAPs not only do not have such an increase but actually have falling life expectancies. Long term 'structural adjustment' seem to have done little to help the appalling trends in these countries.

Table 7: Falling Life Expectancies: select countries under World Bank Structural Adjustment Programs

	Life expectancy at birth 1970-75	1995-2000
World Average	59.9	66.4
OECD average	70.4	76.4
Developing country average	55.5	64.1
Russia - over 60 WB project loans since 1992	69.7	66.1
Ukraine - over 40 WB project loans since 1992	70.1	68.1
Zambia - over 100 WB loans since the 1950s	47.2	40.5
Zimbabwe - over 40 WB project loans since 1981	56	42.9
Botswana - 28 WB project loans since 1964	53.2	44.4
Uganda - over 100 WB project loans since 1980	46.4	41.9
Mozambique - 49 WB project loans since 1985	42.5	40.6

UNDP (2001) Human Development Report, Table 8, www.undp.org; World Bank (2001b) Projects, http://www4.worldbank.org/sprojects/

Eastern Europe and southern Africa are the sites of the most demonstrable failure of these neoliberal strategies. In the poorest countries and in the transition to 'market' economies, people have lost secure access to the basic necessities of life. The distressing falling life expectancies across Africa, Russia and large parts of Eastern Europe reflect similar trends in worsening health, education and increased poverty. The World Bank - pursuing new investment opportunities for foreign investors - has been intimately involved in most of these disasters. The World Bank has pointed to substantial growth in East Asia as evidence of the success of its form of 'globalisation'; but in fact the World Bank had little role in the expansion of the Japanese, Korean and Chinese economies. Those countries took a different approach to economic 'governance'.

5. The World Bank and 'Good Governance'

What is the World Bank's model of 'good governance'? We need to look at what the Bank says, then re-interpret its words; because the Bank cannot be taken at face value. Its nice sounding claims are not to be trusted. In this section I will summarise the Bank's financial leverage over PNG, and outline what the World Bank says about 'good governance', in the PNG context. In the next section I will present a model which I believe better explains the Bank's approach.

5.1 The Bank's financial leverage in PNG

It's useful to note, at first, that the World Bank is only really able to say anything about governance in PNG because it loans money to the country. It then attaches conditions to these loans, conditions which express the Bank's views on how PNG should be governed, though the Bank these days shuns the term 'conditionality' (Rohland 2002). Often these conditions are accepted by the governments of poor countries, because they get access to cheap finance. However for the past two decades, the World Bank has not made its cheapest loans to PNG, because the average income of the country (buoyed up by mining income) has made it 'too wealthy' to be eligible for the low interest % IDA loans.

So the World Bank's US$687 million in loans to PNG between 1983 and 2003 have all been commercial IBRD loans. The last 'soft' IDA loan was in 1982. PNG's committed outstanding loans as at June 30 2002 were US$384m ($57m pending and $49 undisbursed) - a total of US$278m drawn loans which were outstanding (IBRD Financial statements, 2002: 13). The weighted average interest rate on IBRD loans in 2002 was 5.06% (some loans are fixed rate, others adjustable, and different rates apply to different currencies) (IBRD Financial statements, 2002: 26). From this we can estimate that the annual World Bank income from interest on PNG loans (of US$278m at 5.06%) would be US$14.067 million. That is, the Bank is making around US$14 million from PNG each year, through interest on its loans. Through being a member and therefore a shareholder of the World Bank, PNG has only 0.10% of the total shareholder votes (IBRD Financial statements, 2002: 17).

Many of the Bank's loans had significant conservation implications. Of the loans between 1983 and 2003, US$40.86 was directly related to forestry, US$19.6m for the land mobilisation project, which affected forests, while US$97.2m was for agriculture, mainly cash cropping, which indirectly affects PNG's forests. The annual World Bank income on the forestry loans of US$40.86m (at 5.06%) would be more than US$2 million.

5.2 What the Bank says about its 'good governance'

Even though the World Bank has a constitutional ban on 'political activity' (Article 4.10), it has not been shy about expressing strong views and making strong demands over governance, including political, legal and constitutional changes (World Bank 1999; Rohland 2002).

The Bank's suggested problems begin with security and corruption issues, but its proposed solutions typically begin with economic measures. Commenting that "social capital [trust] is fragmented" and "the state has foundered" in PNG (World Bank 1999: xii), the Bank's first

set of proposed priority measures (its "main recommendations") is "macroeconomic management and structural reforms". This involves rationalising the public service, "fiscal discipline" and public finance rationalisations (in the name of "accountability and transparency"), public debt reductions, refocusing the privatisation agenda, completing commitments to "price decontrol and investment liberalisation", tariff rationalisations and reductions, taxation rationalisations and a shift to greater reliance on consumption taxes, and greater control of the controversial forestry operations (including a moratorium on new logging approvals) (World Bank 1999: xiv-xix). All except the last item of these "governance reforms" appear to be the standard components of World Bank Structural Adjustment Programs across all poor countries, since the early 1980s. Under its 'main recommendations' for PNG, the Bank then adds to its priorities "policies to help the poor ... improving public sector management ... the financial sector ... private sector development", and to assist with "accountability and transparency and fighting corruption" (World Bank 1999:xx-xxv).

It is clear that its "policies to help the poor" is a suggested or hoped for outcome of its traditional strategy of economic development. That is, the Bank is committed to its 'open market', foreign investment and export led model, and suggests or hopes that other social benefits will flow from this. While the Bank does from time to time argue the case for improved basic services, such as health and education, neither the weighting of its programs nor the focus of its development arguments suggests such a priority, in practice.

Further on in its main governance report, the Bank constructs another set of priorities. These "fundamentals" are (i) "a stronger foundation ... for law and order", (ii) "nondistortionary policies", (iii) investment in "basic social services", and (iv) "protection of the vulnerable". A further section on state capability emphasises (v) "effective rules and restraints", and (vi) "subjecting states institutions to greater competition". This is a rather ad hoc list, neither conceptually neat nor internally consistent. However looking at the emphasis of each category we see the following. The "law and order" argument is about establishing "effective property rights" and building up the police force, but also discusses anti-corruption measures and "land rights" (World Bank 1999: 107-114). The "land rights" reference is not to land rights as understood by any traditional or customary owners (ie. collective and inalienable rights) but rather to the economic liberal view of property rights (individual and commodifiable rights). A recent report (Deininger 2003) makes it even more clear that "land rights" is yet another form of "new speak" for the Bank.

The emphases in the other governance categories are consistent with the Bank's economic liberal approach over the past twenty years, with some slight modifications. The two final categories, on "rules and restraints" and "greater competition", refer to improving the investment framework for large private investors, and allowing these same investors to access markets for state provided services. This is a cryptic reference to the need for further privatisation (World Bank 1999: 123-5).

The World Bank plan for PNG is quite consistent with its more general literature on 'governance', which draws on its training programs in 'corporate governance'. Here the Bank highlights the role of finance, the power of multinationals and the role of private companies at the centre of 'governance' in contemporary society. Challenges for this 'governance' in an increasingly 'borderless world' include the need to introduce measures for business success, to acknowledge responsibility towards 'stakeholders' and to be accountable to 'shareholders'. Corporations must be creative and have a longer term vision which includes notions of

stewardship and management. Accountability is to 'owners' (ie. private shareholders) but stewardship involves communication skills, sustaining reputation and developing relationships with 'stakeholders' (ie. affected community groups) (King 2001).

The role of Government in this broader notion of 'governance', according to the World Bank, is to develop 'reform programs' that stress appropriate competition and regulation policies (providing private investors with access to new markets, and cutting back the monopoly power of public utilities), privatisation of state owned enterprises (the World Bank is hostile to 'bureaucrats in business' - World Bank 1996), finding new ways to involve private investors in service provision and legal reform to enhance the operation of markets (eg. developing property rights, copyright and patents). For example, the World Bank Institute's (2001) 'Corporate Governance' distance learning core course teaches government, corporate and consumer groups how to argue for an "opening up" of the public telecommunications system in The Philippines. There is no training in the benefits of keeping telecommunications as a public utility, and retaining social and cultural objectives.

Measures against corruption - which play a big part in World Bank critiques - are only a small part of its broader view of 'governance'. Yet in the field of corruption the World Bank has a compromised view, because of the necessary secrecy and profiteering involved with private commercial operations. Effective anti-corruption measures, according to Transparency International (2001) require "the concerted and active involvement of government, civil society and business". However the commercial confidentiality and limited public accountability mechanisms of 'corporate governance' seriously restrict such involvement. Transparency International also points out that 'good governance' at a global level is sorely lacking. The World Bank and the IMF operate with little democratic input, most often imposing policies from the top down, and undermining the capacity of democratically elected governments to make decisions in an open, participatory and accountable manner. The 'good governance' argued for by the World Bank is therefore a confusing and compromised model.

6. Interpreting World Bank 'good governance'

Not much in the World Bank literature *directly* explains the actual priority concerns, in its model of 'good governance'. The language is cryptic (with hidden meanings) and concerned with legitimation. Sweeter sounding aims cover the largely unreconstructed drive to facilitate indiscriminate private foreign investment and, because the former are often compromised by the latter, World Bank stated aims are deceitful. If a crocodile grafted a few feathers onto its scales, would we say that it had become a bird? Surely not. We need some means to interpret the complexity and all-inclusiveness of World Bank language - and some means to sort out the 'grain from the straw'.

I outline here a model which distinguishes 'core' from 'veneer' principles, in the World Bank lexicon of 'good governance'. The 'core' principles are those primary motivators, which may at times be disguised but which play the dominant role in World Bank operations. They are backed by the Bank's constitution, its economic liberal ideology and the strategic investment and trade interests of its major shareholders. We can see strong evidence of the operation of these core principles in recent Bank history, particularly the Structural Adjustment (now 'Poverty Reduction') Programs, across the globe. These core principles are backed by an economic liberal (or 'neoliberal') belief system which lends them some coherence. The 'veneer' principles are those secondary principles which are weak and compromised, and which have been grafted onto the core, are poorly articulated and only viable if consistent with or consequential to pursuit of the core principles, but which often conflict with core principles.

Table 8: A model of World Bank 'good governance'		
Belief system	**Core principles**	**Veneer principles**
private gain --> public good	1. formal democracy	1. participation of civil society
	2. privatisation of public and community assets	2. poverty reduction
indiscriminate ('broad based') economic growth --> social progress	3. reduced regulation of private foreign investors	3. environmental protection
	4. reduction in shared (public) services	4. anti-corruption and institutional strengthening
	5. removal of price and wage controls	5. transparency and accountability
TA 2003		

In summary, the Bank's core principles of 'good governance' are (i) support for formal democracy (ii) the privatisation of public assets, (iii) a reduction in regulation of private foreign investors, (iv) reduction in shared (public) services, and (v) the removal of price and wage controls. These core principles are backed by a belief system which says that private profit leads to public good, and that indiscriminate ('broad based') economic growth is the main means towards social progress and well being. The veneer principles of the World Bank are more diverse, and in many respects this is an expanding list; but the main ones are: (i)

participation of civil society, (ii) poverty reduction, (iii) environmental protection, (iv) anti-corruption and institutional strengthening, and (v) transparency and accountability. To this veneer list we could add 'land rights', but here the World Bank has corrupted the meaning of this concept so completely that this act of deceit deserves special treatment. The core' and 'veneer' principles are listed in Table 8, and are explained in more detail below.

6.1 Core Belief and Principles

The World Bank's core 'good governance' principles are underpinned by a belief that the expansion of private profit is a precondition for public good, and that indiscriminate ('broad based') economic growth provides the primary means towards social welfare and progress. No orthodox economist will crudely equate economic growth with social welfare. Economics textbooks almost always note at least some of the problems with the simple aggregate growth measure, but they generally also revert to growth models to explain 'economic development' (eg. Samuelson et al 1992: Part Four). Most political formulations are even more crude, and policies favouring indiscriminate growth (which generally suit the interests of large private investors) re-emerge as a supposed central indicator of social welfare.

In this process, the orthodox view ignores many good critical texts (eg. Waring 1988; Jacobs 1989; Eckersley 1998; Hamilton 2003), which have pointed out the multiple problems of the 'growth' measure. Growth (i) cannot account for environmental depletion and degradation; (ii) it does not distinguish between wasteful and destructive economic activity (eg. military spending) and valuable activity (the production of good and services to meet the basic needs of life); (iiii) it ignores inequality and poverty; (iv) it ignores all subsistence and domestic work, mainly women's work - a quarter to three quarters of all productive activity; and (v) it says nothing about service provision, infrastructure, or the repression of human rights.

Conservative academics admit that policies of growth and 'trickle down' (as a means of 'poverty reduction' in developing countries) were discredited in the 1950s and 1960s, but they claim a "new paradigm", which that they say "is increasingly accepted in much of the world" (the "Washington consensus"), and which emphasises:

> "market based policy fundamentals: fiscal discipline is a crucial precondition for growth; growth is best advanced through markets rather than state intervention and through open economies and export promotion rather than import substitution and industrial policies" (Gwin and Nelson 1997: 3-4)

This really is little more than a reconstructed, indiscriminate growth strategy. When linked to the economic liberal belief that private profit will underpin public good (often making use of the 18th century 'invisible hand' idea, of Scottish philosopher Adam Smith), strategies focussed on economic growth become a recipe for privileging large corporations. The linking of private profit to public good also begins the corrosive process of undermining shared, community institutions, and blurring the important issue of 'conflict of interest' in public affairs.

The World Bank's first core principle, **supporting formal democratic processes** (a very limited view of 'democracy' - mainly an electoral system, the core bureaucracy, courts and police), must be read in context of the Bank's history of supporting corrupt and brutal dictatorships. The IMF's first Structural Adjustment Programs were trialed in Pinochet's dictatorship in Chile, in the mid 1970s; and the World Bank did not dissociate itself from the Suharto dictatorship in Indonesia until after the Asian Financial Crisis, in 1997. Nevertheless, these multilateral banks today generally support a system of formal democracy, as a means of

providing a stable and more legitimate protection for property rights and foreign investor confidence. It would be foolish, however, to imagine that their central commitment is to democracy. In fact they are centrally committed to expanding the opportunities for private foreign investment. Formal democratic institutions can be a useful means to this end, though the World Bank is quick to revert to support for military regimes (eg. the 2002-03 US puppet government in Afghanistan), if that suits its purpose. World Bank reports have typically focussed on 'good governance' as a means to create "institutions that establish a predictable, impartial and consistently enforced set of rules for investors" (Knack 2000: 1). Governance is seen as laying the basis for investor convenience. The Asian Development Bank, similarly, draws on reports which regard 'good governance' as a sort of formal institutional precondition (police, courts, elections) for effective markets and growth (Duncan and Pollard 2001: 15; Wescott 2001: 2). This is a rather nineteenth century view of 'governance'. De Rivero (2001: 92) says that the World Bank "advocates the modernised, democratic state, respectful of independent judicial power and free of corruption"; however he adds that the Bank says nothing new about the role of developmental states, and leaves strategic decisions to large corporations in the name of "the market's invisible hand".

The second core principle, **privatising of public and community assets**, is driven by the Bank's twin economic liberal beliefs - that private profits and indiscriminate growth advance social welfare. In PNG this means setting in place structures to alienate and commodify customary land ownership, and to privatise the few profitable state enterprises. World Bank Chief economist Nicholas Stern now definitively links 'land rights' with the ability to trade land - which requires the destruction of inalienable and collective customary title. Stern says commodifiable land:

> "fosters investment and enhances productivity, and helps to empower poor people to participate in economic opportunities and in society more generally" (World Bank 2003).

What this means in practice is that land - as the central community asset of many, many generations, and the prime means of survival - should be mortgaged or exchanged for some short term dollars or prized commodities (eg. vehicles), which will certainly be gone in a few years. In the short term, such exchanges will indeed contribute to growth and private profits. However the World Bank's 'land mobilisation' programs in the 1990s (registration, as a precursor to traded rights) provoked a huge reaction from PNG communities, seriously damaging the Bank's credibility in PNG (R. Brunton 2003).

The orthodox explanation for privatising state enterprises (eg. banks, airlines, community services) is based on competition, rather than privatisation, because neoclassical economists argue that competition drives efficiency and this has 'trickle' down' benefits. There are none of these benefits if a public monopoly is simply converted into a private monopoly, or if the privatisation increases monopoly power - yet in practice many privatisations do just this. The driving force for privatisations everywhere is pressure from large corporations to get their hands on highly productive state or community owned assets. However governments are often encouraged to engage in this process for short term budgetary reasons - to gain budget windfalls or to offload future liabilities. On discussions of privatisation in the PNG Cabinet, one senior public servant confirmed that fiscal convenience and the desire to offload future liabilities drove Treasury and others to push privatisations (PNGSPS 2003). Prime Minister Michael Somare admits that privatisation plans have stalled in PNG (the only state assets that had been sold so far were "shares in Orogen Minerals Ltd, some oil palm companies, and more recently the PNGBC Ramu Sugar"), and claims that his Government is now taking a "more selective" approach to privatisation (Post Courier 2003b: 2). In fact, it was significant

community pressure that beat back the moves to privatise many of PNG's collective assets; but plans are still in place for the privatisation of Telikom, Air New Guinea, the Post Office and other essential services(Parkops 2003).

In face of the perceived international failure of many large utility privatisations (electricity and water prices have generally risen strongly, under privatization - Phillips 2003 - and asset and income distribution have worsened, as a result of utility privatisations - Birdsall and Nellis 2002), the World Bank has also softened its language. Michael Klein, the World Bank's vice-president for private sector development, says the Bank has been engaged in "a lot of soul searching", but that in any case, "there never was an actual policy that said you shall privatize everything that moves" (in Phillips 2003). This must be news to governments in Eastern Europe, and in Thailand, Indonesia and South Korea, after the 1997 Asian Crisis. Since the 1980s, privatisations have been relentlessly demanded, of those in their debt, by the IMF and the World Bank. The Bank has clearly and ideologically commited itself to privatisation (see World Bank 1996). In PNG the Bank has insisted on state scheduled privatisations, which will "attract reputable foreign firms and generate broad based [private] local ownership" (World Bank 1999: 116-7). The Bank even suggested that "Bolivia's privatization mechanisms could offer a model for Papua New Guinea", because privatisations there combined some form of small shareholding with foreign corporate management (World Bank 1999: 216). This was very poor advice. The subsequent failure of Bechtel's disastrous water privatisation, in Cochabamba (Bolivia) has become a world class example of what is wrong with privatisations in developing countries. There the corporate takeover was followed by massive price rises, a mass revolt and eventual reversal of the privatisation in 2000 (Kruse 2000; Grusky 2003). The World Bank has now distanced itself from this failure, and has blamed the tender process and the dam project (Global Exchange 2000). Following the unpopularity of, and obvious inequalities in, privatisations in many poor countries, the Bank has begin to use disguised language to mask its advocacy of privatisation. Instead of privatisation we have to look out for "partnerships" and "participations". The World Bank is also talking about "competition .. in contestable markets" (World Bank 1999: 125), by which it means the privatisation of markets, or the quest of private companies for profits in various public service areas (eg. education, health, water, electricity).

The third core principle of World Bank governance is to **reduce the regulation on private foreign investors**, and this includes various concessions such as tax exemptions, and access to favourable contracts and land. Predictable rules for foreign investors has been a constant theme of the World Bank (1999: 123). There is even a theory of 'grand corruption' in the World Bank literature which refers to the 'capture' of the state regulatory system by certain corporate interests. This appears similar to, but is clearly different from, the Marxist theory that the capitalist state is effectively captured by a corporate *class*. The Bank version refers to local investor interests, or large foreign corporations which may block the market access of other foreign corporations. 'Grand corruption' in the World Bank view refers to:

> "state capture by parts of the corporate sector .. the propensity of firms to shape the underlying rules of the game by "purchasing" decrees, legislation and influence at the central bank" (Hellman et al 2000).

Despite this, the World Bank does not seem to have complained about the PNG Government's practice of granting tax exemptions to foreign companies which take much but contribute little to PNG (eg. the RD Tuna operations in Madang). Even though foreign investment is argued as a means towards growth and trickle down 'poverty reduction', it is clear that the World Bank favours foreign investor access over growth. While China's economic growth far exceeds that of Australia, over the past decade, World Bank analyses

place Australia well ahead of China in a hierarchy of 'good governance'. Australia is ranked in a group of 'good governance' countries, while China is ranked in a group labeled 'poor governance'. PNG is ranked as having 'fair governance', not because it is a more stable or successful system but because of the lower regulatory 'barriers' to foreign investors (Huther and Shah 1998).

The fourth core principle of World Bank governance is to **reduce shared (public) services**. What underlies the Bank's concern about this is, on the one hand, the fiscal and tax demands of a widespread public service and, on the other, the productive opportunities for private investors in certain areas of service provision - in particular education, power, water, and health. The Bank says its approach to the public sector "needs to focus on redefining functions rather than across-the-board downsizing" (World Bank 1999: 106); and in fact the whole focus of the state towards exports and foreign investment does require a refinement of function, ensuring investor access to profitable services (eg. water, telecommunications, power) and a consolidation of state function in some non-profitable service areas (eg. primary education and basic health). However, in PNG an important underlying principle *has* been to reduce the general size of the public service, to streamline it and to remove public investment from areas that might be open to sub-contracting or profitable takeover. In World Bank and Australian Government jargon this process has been termed "strengthening public sector management" (World Bank 1999: 106; Costello 2001: 15) by which it is meant that the state will allocate its resources and carry our policies consistent with the neoliberal model.

The fifth core principle of World Bank governance is to **remove price and wage controls**. This is directed at subsidies on basic goods, and the levels of minimum wages. It is primarily what is meant by "non-distortionary" policies (World Bank 1999: 114), and is an economic liberal concept which emphasises the role that prices play as signals to investors and consumers. These price signals (unaffected by social policy intervention) are meant to induce a market 'efficiency' which will have growth and trickle down benefits. In practice, this approach finds no problem with the enormously high foreign consultant fees (US$1,000 per day and more) and extremely low minimum wages (US$1.5 per day) in PNG.

Some studies on governance commissioned by the World Bank have attempted to construct models by which multi-index governance can be quantified and compared across countries. These reports include quantified estimates of 'government effectiveness', but these measures rely heavily on foreign investor surveys and strongly link 'regulatory quality' to the 'burden' of regulation, and the impact of 'market unfriendly' policies, on private investors (Kaufmann, Kraay and Zoido-Lobaton 2002). They demonstrate very well the model-driven and investor-oriented character of World Bank 'good governance'. Powys Parkops (2003), an experienced PNG activist, says that the World Bank "has been running the [PNG] Government over the past ten years" through the "comprehensive conditions" attached to Bank loans. He has not noticed any real change in bank behaviour in that ten years, except that the Bank increased its influence in the mid 1990s. Their main themes have always been privatisation, compliance with Bank conditions, opening up the economy, assisting foreign investors and removing tariffs. It seems to me that Parkops has accurately summed up the Bank's core themes, and its intransigence.

6.2 Veneer Principles

Those principles which the World Bank promotes but which do not form part of, and which are regularly undermined by, its core principles, can be called the Bank's 'veneer' principles. These principles are weak and compromised, and serve largely as a gloss on, or a veil over, the real operations of the Bank. They have made Bank operations sound sweeter, but have also upgraded the Bank's level of deceit. This deceit include claims that the Bank is centrally committed to the participation of civil society in development planning, that it promotes poverty reduction, that it is committed to environmental protection, to anti-corruption, institutional strengthening and to transparency and accountability. I will spell out here why these several commitments are insincere.

We know that the World Bank's claimed commitment to **the participation of civil society** in development planning in PNG is weak and compromised, because many World Bank programs have enormously antagonised that civil society. In recent years the World Bank has not even made much of an effort to stress the participation of PNG civil society, probably because of the battering it has received from that same civil society over its privatisation and 'land mobilisation' campaigns. (In other countries, such as East Timor, the Bank has repeatedly stressed local participation and leadership: World Bank 2000-01). At the very end of the Bank's major text on Governance in PNG it makes the token claim that "community participation is essential for good governance" (World Bank 1999: 240), but spends little time on this. Often the Bank's approach to civil society is reduced to a view of civil society simply as consumers, investors and 'stake holders', and it argues the need for the state to be 'more responsive' to their needs (World Bank 1999: 125). At times the Bank has thrown some money at critical civil society groups in PNG, to shut them up, divide them or co-opt them (R. Brunton 2003).

The most aggravating aspect of Bank 'governance' has been its repeated attempts to undermine community land rights. These customary rights are supported by the vast majority of PNG citizens (Lakau 1995), and are entrenched in the constitution and law of the country. Yet investors and their representatives (principally the World Bank and the ADB) do not respect this simple fact. It is clear that many investors want access to individual land tile in PNG, but it is equally clear that most communities and community activists (eg. Ase 2003; R. Brunton 2003; Paol 2003) support collective and alienable community title. Many PNG lawyers confirm that appropriate development is possible through proper consultation and legitimate agreements (eg. Parkops 2003; Tararia 2003). Powys Parkops notes that World Bank policies have been weakened by the resistance of civil society in PNG, but that a huge amount of money has been wasted in the unsuccessful attempts to push through land 'registration' and privatisation. He also observes that the World Bank view seems to see development as only coming from outside the country. Almost all Bank consultants are foreign, and skilled local people are rarely used (Parkops 2003).

The AusAID view has been similar. The AusAID approach to governance in PNG has been 'broadened' from funding for police and prisons to include public sector rationalisation and "a focus on strengthening systems for the protection of individuals rights and freedoms" (AusAID 2003). This formulation also ignores community rights.

We also know that the World Bank's claimed commitment to **poverty reduction** is weak and compromised, because it is dependent on the Bank's export-oriented, indiscriminate growth strategy, tied to private foreign investment. This approach has been a showcase failure in PNG, yet it has not been abandoned, and indeed the Bank is incapable of abandoning it. The

core principles of privatisation, foreign investment, reduced services and deregulated wages will always win out against real poverty reduction, and 30 years of record exports has not translated into strong and broad improvements in living standards (see 3.2.5). While the Bank admits that both poverty and inequality are very high in PNG, and that there has been little real progress in recent years, it blames the failure of management and programs (World bank 1999: 73) rather than the failure of its own strategy.

The international research does not support the World Bank's claim that it is engaged in real poverty reduction. The Bank has often fudged its own global poverty statistics, including growth in very non-liberal countries (such as China, Korea and Malaysia). Fantu Cheru (1999) sets us straight by pointing out that both poverty and inequality have increased in most countries under World Bank SAPs:

> "the percentage of poor people has nearly doubled in many countries implementing SAPs, the share of national income received by the richest segment of the population has increased sharply over the last 15 years" (Cheru 1999)

As mentioned earlier, the NGO monitoring group SAPRIN found that World Bank backed privatisation processes had contributed to an increase in unemployment and job insecurity, had weakened workers' rights and had increased service costs while reducing service quality. Policies of capital and trade liberalisation had weakened agricultural sectors, impacted negatively on women and unskilled workers and had aggravated inequalities. A higher level of abuse of labour rights, a fall in real wages and increased inequalities had been associated with moves towards greater labour market 'flexibility'. Public expenditure cuts and increased user fees had damaged access to health care, education and housing for poor and disadvantaged groups (SAPRIN 2000). This is not poverty reduction..

Indiscriminate growth and enormous success in PNG's exports has produced little progress in poverty reduction. The Bank admits poor progress in PNG's social indicators (Rohland 2002), but not its own part in that failure, nor the link between successful export orientation and poverty. PNG has an outstanding track record as an exporter (see Table 5 in Section 3.2.5), but this strategy has been not just inappropriate but also destructive for PNG. Undermining community structures and healthy subsistence lifestyles, for the sake of poorly cross-linked and environmentally destructive and rapacious resource industries (principally mining and logging) has classically advantaged foreign companies at the expense of local communities. Propagating export-led growth strategy has been central to the World Bank deceit over governance in PNG. The World Bank knows very well that many other developing countries with similar 'successful' export profiles to PNG have not become wealthy and prosperous. Yet it persists with the discredited strategy, because it suits the interests of the World Bank's shareholders.

The World Bank's claimed commitment to **environmental protection** is also weak and compromised. It is not central to the Bank's mandate, nor is it strongly backed by Bank shareholders. For example, in the Australian Treasurer's annual report to Parliament in 2002, environmental protection has no mention in the 'key policy issues', or in the areas of G-7 planned reform of the Bank. Environmental programs are typically added on, later in the report, when there is a need for legitimising foreign investment, for example the 'co-financing' of water infrastructure, and in the development of marine industries (Costello 2002). The history of World Bank programs is littered with environmental destruction. The Bank's own evaluations, for example, point out that its financial backing for more than half a billion dollars of 'transmigration' in Indonesia had led to success in its resettlement goals, but

had had a "major and probably irreversible impact on indigenous people", as well as causing major environmental damage, particularly through deforestation (World Bank 1994). UN expert Cheru (1999) confirmed that the Bank's Structural Adjustment Programs were typically associated with the deterioration of the environment.

In PNG there is a history of the Bank responding to severe criticism and, over more than a decade, constructing a forestry policy that appears environmentally sensitive. Some (Filer et al 2000) have argued that this more sophisticated policy has cast the Bank in the role of an environmental policeman. In this argument, the Bank is battling with a corrupt government-corporate nexus, and failure is due to the Bank not being properly listened to. This is a misleading argument. In my view, Ase (2003) more clearly describes the Bank's role, as strongly associated with weak law enforcement, big payments to foreign consultants, resource depletion and a relegation of blame to local officials. I discuss the Bank's Forestry and Conservation Program, in the next chapter.

The recurring theme of land in PNG-World Bank relations also helps us understand the Bank's deceptive role in environmental protection. Constant pressure for land registration, to be followed by individualised and commodifiable title, is a process which the World Bank now deceitfully calls "land rights" (Deininger 2003). It is deceitful because the Bank knows very well that indigenous and traditional communities have popularised the concept of 'land rights', in recent decades. To these communities 'land rights' means the recognition of traditional, collective, and inalienable title. The Bank's use of 'land rights' involves an illegitimate appropriation of popular language to pursue its traditional and partisan claims (of international banks, mining companies and large conglomerates), to privatise and alienate community assets.

Unfortunately, this can be an effective strategy, and some will be misled. In its publicity, the Bank quotes Robin Palmer, Oxfam Great Britain's land policy adviser, as saying that the Deininger report is "a major and welcome shift in World Bank thinking on land policy" (World Bank 2003b). Yet a careful look at the Bank's latest report shows that its new version of "land rights" is mainly aimed at supporting land privatisations in Central and Eastern Europe, while attempting to engage with popular land reform movements in developing countries. Contrary to the Oxfam claim, the report repeats old and familiar themes, ie: the pursuit of land privatisation, where possible; maximising the use of land markets; legitimising large land holdings as "more productive"; and attempting to deflect land reform movements into "rational economic" directions, by "regulations that maximise social benefits" - ie. non-collective and commodifiable structures (Deininger 2003). World Bank chief economist Nicholas Stern reinforces this message by arguing that the "key pre-condition" for secure land rights for poor people is "the ability to exchange land rights at low cost" (World Bank 2003b).

The environmental implications of this privatising approach to land title should be obvious. Traditional custodians of land are normally far better at ensuring sustainable use and the maintenance of local ecosystems (except when they have been bought out or misled), than the large resource extracting industries. 'Environmental protection' for the World Bank primarily represents a means of legitimising these same 'export oriented' industries, and of claiming that large scale logging and mining can be 'tweaked' to be ecologically sensitive and sustainable.

The World Bank's claimed commitment to **anti-corruption and institutional strengthening** is similarly weak and compromised, and can be regarded as yet another 'veneer' principle of the Bank's 'good governance'. Since the mid 1990s, a lot has been written about the Bank's commitment to anti-corruption, largely in response to the exposure of scandals over Bank funding to corrupt regimes. The Bank was seriously embarrassed by revelations in 1997 that around 30% of Bank funds to Indonesia had been siphoned off by the Suharto family and cronies. An ex-Bank staffer called this approach the "three monkeys policy .. see nothing, hear nothing and say nothing" (Bretton Woods Project 2003). The World Bank now has its own watchdog institution (the Department of Institutional Integrity) and a US based investigations hotline (1800-831-0463), as well as detailed policies on corruption. The Bank clearly has to deal with its in-country and international image, and with the concerns of its shareholders about mismanagement of their funds. However it is the privatising and foreign-investor-privileged ethos of the Bank that makes its efforts fail.

In PNG the Bank has urged several anti-corruption tactics: first, public sector reform (greater accountability, but also performance/incentive elements in public sector wages); second, reducing executive discretion in financial administration; third, creating and strengthening public watchdog organisations; fourth, increasing and enforcing the penalties for corrupt activities; and fifth, some form of "social marketing" which it is hoped might influence social attitudes to corrupt practices (World Bank 1999: 113 & 237-8). Yet according to the Bank, corruption in PNG has been worsening, and the Bank places all blame at the feet of PNG power brokers, as well as indigenous institutions and culture (eg. Rohland 2002). This is misleading. A trail of corruption follows Bank activities across the globe, not because of the nice-sounding Bank policy on corruption, but because of Bank practice. In Bangladesh, massive corruption in the fertiliser sector (adulteration and fraud) followed Bank-driven privatisation, embarrassing the Bangladesh Government and hurting many small farmers (SAPRIN 2000). And despite the Bank system of blocking corporate or individual involvement in further contracts, if they have been implicated in 'irregularities', the scandal over Lesotho's Highlands Water Bank project shows that some companies have been getting around these safeguards (Bretton Woods Project 2003).

But it is Bank culture, rather than particular scandals which has aggravated corruption around Bank finances. After all, World Bank finance typically involves the distribution of 'seed' foreign capital, to induce preferential treatment for private foreign investors. The Bank's economic liberal ideology does not properly distinguish public from private interest, and so has a poor fundamental approach to conflicts of interest. In many respects the entire project of Bank finance ('aid') involves the commissioning of special favours. Developing countries typically have more favours to offer the Bank and its allies, than vice versa. However inducements aimed at elite groups often work, to the detriment of state capacity and to the advantage of privileged groups. UN expert Professor Fantu Cheru says that the Bank's Structural Adjustment Programs have not strengthened necessary social institutions, but rather weakened state capacity to resist global corporate pressures. These programs have "privileged efficiency, productivity and groups engaged in export ... at the expense of civil liberty and self government" (Cheru 1999).

The blurring of the boundaries of public and private interest in development finance is primarily driven by neoliberal ideology, rather than individual imagination or simple parochial interests. There is little point in the Bank speaking of public education campaigns on corruption (including "social marketing"), when its consultants and contractors are

plundering the PNG public purse, in the name of 'poverty reduction'. There *is* a basic difference, and many potential conflicts, between private profit schemes and the construction of social trust and shared social institutions, but for structural reasons the World Bank does not 'get' this. One analyst observes that:

> "despite the move to institutions, neoliberal policies still dominate the bank's philosophy, leaving the good governance agenda market-centric rather than state-centric .. the Bank's faith in market mechanisms underestimates the significant challenges posed by institution building and the need to protect the vulnerable" (Collingwood 2002: 2)

And despite the noble history of Bank whistleblowers (such as Joseph Stiglitz), there is also a strong Bank history of entrepreneurs leaving the 'public sector' of the Bank to pursue private consultancies, related to their Bank work. Here the boundaries of financial custodianship (at the Bank) and privateering are blurred, and potential conflicts of interest are often not recognised. For example, Dan Weise, a former Queensland public servant and later World Bank official in PNG, has been praised in Australia for his concern over corruption in PNG (Four Corners 2002), but then attacked in PNG for jumping across into a highly paid PNG Government consultancy on privatisation (*The National* 2003d: 2-3). The Bank sends powerful signals about the irrelevance of conflicts of interest through its constant blurring of the boundaries between private profiteering, on the one hand, and the building of social trust and social institutions, on the other.

For similar reasons, we cannot take seriously World Bank claims to strongly support **transparency and accountability**. This claim is weak and compromised, because it is mainly focussed on the rationalisation and control of public sector finances, and typically ignores privileged foreign private investors and their subsidies. After all, the privatising processes that form an important part of core Bank activities, *necessarily* detract from public transparency and accountability. A public service that moves into private hands will no longer be subject to scrutiny by an Ombudsman, or most other public monitors, nor will its accounts be opened to the public because of (Bank supported) claims that it cannot release "commercial in confidence" information. The Bank itself, while it can contract, own property and take out law suits, demands immunity from any law suits as a condition of membership (Article VII). The property, assets and archives of the Bank are held to be "immune" from search and seizure. The Bank cannot be taxed or subject to custom duties, and Bank employees "shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity" (Article VII).

Being privileged and above the law, it is perhaps not surprising that the Bank acts arrogantly when it is held to account. Despite criticising the way in which privatisation of the PNG Banking Corporation was carried out (the PNG Government informally blocked a monopolistic takeover), World Bank officials repeatedly refused to give evidence at the public inquiry set up into this privatisation. Lawyer for the Bank, Francis Damem, warned that if the PNG Government failed “to assert and protect the immunities of the officials of the World Bank” this was likely to affect the presence of the Bank in PNG. However Commissioner Cyprian Warokra appealed to the Bank to

> "help establish the facts in this case. The World Bank played an important role in the PNGBC sale and any evidence they give will be valuable in deciding the outcome" (*The National* 2003)

Former Bank official Dan Weise did give evidence to the Commission of Inquiry, as he had just taken on a high paying consultancy with the PNG Government (*The National* 2003b: 2-3). But the Bank appears to be leaning on its privileged status, and unwilling to subject itself to the scrutiny of a PNG public inquiry. This is hardly transparency.

7. Bank governance of logging and cash cropping

This section will assess the World Bank's Forestry and Conservation Project and the Asian Development Bank's efforts to promote agro-industry in PNG, in particular oil palm.

7.1 The Forestry and Conservation Project

At the same time as it was urging PNG down the path of export-led, resource extraction industries, backed by large foreign interests, the World Bank was forced to react to the pressure coming from local communities which were badly affected by logging and mining. It was to eventually set up its Forestry and Conservation Project (FCP), which aimed to consult with landowners, carry out environmental monitoring and ensure 'sustainable logging'. But all through the period of this FCP, the PNG Government maintained "a policy of export-driven economic recovery ...[including] the forestry sector" (Somare 2003). There was always a question whether pursuit of "export-driven" recovery could be compatible with the stated forestry conservation aims.

While the Forestry and Conservation Project might be said to have been "originally conceived" by the World Bank, to meet a range of nice sounding objectives (Filer et al 2000: 51), and indeed it has employed staff genuinely enthused with this mission (Pouru 2003), the project has to be understood in the context of constant international criticism of the Bank for environmental damage caused by resource extracting industries and infrastructure projects. In PNG, the alarm from landowners and NGOs over the impact of logging led to the 1987 inquiry by Thomas (Tos) Barnett (Barnett 1989), well before any Bank forestry and conservation initiatives in PNG. The Bank organised a Tropical Forestry Action Plan (TFAP) for the PNG Government in 1989 (World Bank 1989) and was involved in several other abortive attempts to regulate logging in the 1990s. In 1991 the Government introduced a National Forest and Conservation Action Program, and also amended the Forest Act, to introduce notions of sustainability. A logging code of practice was introduced in 1997. However, in practice, not much changed.

The World Bank invested a fair deal of money in forestry projects in PNG, throughout the 1990s, and received significant income from its investments. Because of PNG's mining and logging income (virtually none of which went to ordinary people), since the early 1980s PNG has been considered too 'wealthy' to be eligible for the World Bank's very low interest loans (0.7%, from the IDA). Therefore all loans over the past twenty years have been at the Bank's commercial rates, and in current terms this is a touch over 5%. Although all World Bank loans to PNG amortise (run out) at different times, we can estimate the combined financial impact of these loans, before we consider the projects themselves. Table 9 shows that the combined current interest payments on recent forestry loans would be well over US$1.5 million per year. Other forestry-related World Bank investments were US$19.6m in 1989's land mobilisation project and another US$97.2m in agro-industry (mainly oil palm) projects (World Bank 2003c). These would return three times as much in interest payments as the forestry loans. The estimated *total* annual payments from the PNG Government to the World Bank on its outstanding loans in 2002 of US$278m at 5.% would be over US$14 million per year. That is a big burden, for a developing country. Investment, advice and interference from the World Bank does not come cheap.

Table 9: World Bank Forestry Loans to PNG, 1990-2001			
Forestry related loans	**% forestry**	**US$million**	**interest pa @ 5% - US$m**
Structural Adjustment Loan 1990	7% of 50m	3.5	0.175
Economic Recovery Program Loan, 1998	13% of 50m	6.5	0.325
Governance Promotion Adjustment Loan 2000	15% of 90m	13.5	0.675
Foresty and Conservation Project 2001	100% of 17.36m	17.36	0.868
[FCP funds were matched by an equal amount from the GEF]	[another 17.36m]	-	-
TOTAL WORLD BANK FORESTRY LOANS		**40.86**	**2.043**
Source: World Bank (2003c) PNG Country Assistance Loans, www.worldbank.org			

Colin Filer and others have well described the historical development of PNG's forestry policy in the 1990s, though with too heroic a role for the World Bank. They (Filer et al 2000: 17) note that logging companies such as Rimbunan Hijau came to regard the World Bank as "the enemy", for apparently standing in the way of their earlier "open slather" operations. However this view must be tempered by a recognition of the Bank's consistent role in promoting resource extractive and export-driven industries. Even the FCP supports the export-oriented logging strategy, which led to a tripling of log exports in the 1990s. Throughout the 1990s, average annual raw log exports from PNG ranged between two and three million cubic metres (compared to an average 1980s volume of one million cubic metres). An increase in log prices meant that the total value of these exports ranged between 400 and 500 million Kina annually (compared to an average 1980s annual value of less than 100 million Kina). Annual tax revenues from export logs rose to more than 140 million Kina, in the mid 1990s (Shearman and Cannon 2002: Part 1). PNG Government finances became more dependent on logging in this period. Yet for all the short term gain to logging companies and Government revenues, the environmental assets and subsistence base of many communities was being devastated.

After further community pressure, in 1999 Prime Minister Mekere Morauta announced a moratorium on new logging licenses, and a review of existing licenses. In his budget speech the Prime Minister said:

> "Governance has been particularly poor in the area of forestry, with the side effect of promoting corrupt practices and undermining environmental sustainability in logging activities. The Government is committed to introducing a moratorium on all new forestry licenses, extensions and conversions, and to proceed with a review of all existing licenses, to ensure that proper procedures are followed, that logging practices are not carried out in an unsustainable way and that landowners get their fair share of benefits from resource use." (Morauta 1999)

These moves were strongly supported by community groups. The moratorium was put into place in 2000 and the Independent Forestry Review put out its report in 2001. However community groups were disappointed with the outcomes of the Review, saying that although it confirmed many of their concerns, and had some positive measures, it had failed: to deal with the serious problems uncovered by the review; to provide for proper advice to landowners; to provide for proper remediation; to take full account of the environmental studies; and to provide for ongoing review and verification.

> "The likely result of these failings is that up to 3 million hectares of pristine forest will be allocated for large scale logging without the informed consent of the landowners. The logging will have massive detrimental social, environmental and economic effects that will severely impact on the quality of life for the local people. problems of corruption and poor supervision and management will remain." (PNG Forest Watch 2001)

Fearing the weakness of the Government's measures, some PNG based environmental groups spent some time lobbying the World Bank, urging the Bank to use its FCP to extend the moratorium, to review all existing logging licenses (not just the new ones), and to "enforce" safeguards through loan conditions (PNG Eco-Forestry Forum 2000; Greenpeace 2000). Some groups also used the Bank's Inspection Panel process, in attempt to force the Bank to take more seriously its own stated principles (CELCOR 2001). But the moratorium was violated, and new licenses were issued. Very large tracts of PNG's forest continued to be devastated by out-of-control logging operations, and in launching the Bank-funded Forestry and Conservation Project the PNG Forest Authority (2002: 1) acknowledged that forest degradation in PNG was still "a serious problem".

It has always been highly unlikely that any large scale logging industry could ever qualify as a form of "sustainable development" (Filer et al 2000: 111), but such a question has never been central to World Bank considerations, nor is it seriously raised in the FCP. In *The Thin Green Line* (Filer et al 2000) the Bank is ascribed a creative, leading role, when in fact it had been reacting to constant community pressure, over many years. Colin Filer and his colleagues are mistaken to suggest that, under its 'good governance' model, the World Bank (for all its arguments about "state capture" by vested interests - see Hellman et al 2000) was or is determined to remove the "poison" of the logging companies' vested interests. From an examination of shareholder interests and the history of Bank operations we can be confident that the Bank in PNG wanted to restore credibility to a major export industry that it has always regarded as essential for PNG. Further, the Bank has never been an environmental policeman, as is suggested by the 'thin green line' analogy (Filer et al 2000) with the 'thin blue line' of law enforcement. It has often hid behind its formal powerlessness, blaming governments and government processes, when its secondary or 'veneer' objectives fail.

Table 10: PNG's Forestry and Conservation Project, 2002-03

components	aims and links
Conservation Trust Fund	to establish ongoing and indepednent in-country finding for biodiversity conservation and sustainable development, based on landowner participation - a previously existing program which gets funds from the GEF and has its own Board
Landowner Forest Decision Making	aims to develop improved means of including landowners in decsision making - included 'development options study', now renamed 'land use options study'
Sustainable Forest Management	aims to help the Forest Authority with management of 'sustainable production for forest products' - includes the Department of Environment and Conservation
Environmental Assessment and Monitoring	aims to support effective environmental regulation for forest development projects

Sources: Pouru 2003 and PNG Forest Authority 2002

The Forestry and Conservation Project (FCP), financed and supported by the Bank and Global Environment Facility (GEF - a collaborative group which includes **xxxx**), began planning in 1996, was approved by the World Bank in December 2001 and was brought into effect in June 2002. It located itself in Forest Authority offices in Port Moresby, and combined its three components with the previously existing Conservation Trust Fund.

The FCP works with the PNG Government, says it will engage in widespread consultation, plays down its links with the World Bank (because of the Bank's bad reputation amongst landowners), and accepts that its four component areas are really "in flux" (Pouru 2003). Problems of poor cooperation with its host, the Forest Authority (FA), have plagued the FCP. These problems may have eased with the early 2003 sacking of the former CEO of the Forest Authority, David Nelson, but any action by the FCP is dependent on Government approval and acceptance of its work. And there are ongoing tensions. For example, the FCP's planned audit of existing logging concessions was delayed, pending agreement with the FA over the terms of reference. The FCP also has differences with the Forest Authority over future plantations. The FCP wants private plantations, the Government wants some mixture of private and publicly managed plantations (Pouru 2003; Somare 2003). And FCP reports into corrupt deals and violations of the rules will not be made public unless the Government decides to do so. On the other hand, the FCP has no problems with the Government's export driven strategy, so long as "the procedures are followed" (Pouru 2003).

But while the FCP land owner manager was setting up and workshopping an improved model of landowner consultation and participation (Pouru 2003), the same corrupt, socially damaging and environmentally destructive practices were in full flight. A police report from Gulf province (Ove 2000) had noted serious corruption involving local political figures and a logging company. There had been massive bribery of local politicians, and:

> "TFI (Turama Forest Industries) has done nothing apart from the cash handouts. No tangible economic or social projects have been started for the people. It has created a total 'welfare society' in Baimuru. The approach by TFI is (also) not correct, not representing real landowners' interests" (Ove 2000: 13-14)

Nothing ever came of this report; no action was taken against the company or the politicians. Then in early 2003 a powerful FCP report (Powell 2003) was sent to the PNG Government, noting that three logging approvals, since the new guidelines were established, (2 and 3 Trans-Island Highway, Western Province; Simbali, East New Britain; and Bonua Magarida, Central Province) were all unlawful, without proper landowner consent, made no attempt to follow proper procedures, were all in breach of the Forestry Act and in each case there was evidence of a conspiracy to avoid proper process and the law (King 2003). Another two recent approvals (Wawoi-Guavi, Western Province; and Vailala 2 and 3, Gulf Province) are currently the subject of a report, by the same team. The Government's response to these reports would seem to test the relationship between the Bank and the PNG Government - or at least test the credibility of the FCP.

In 2002 the Bank had sent a warning to the PNG Government, that it might withdraw its funding operations if the FCP were blocked (ABC Radio 2002). But in assessing the credibility of this threat, we need to reflect on the overall value of the FCP to the Bank. Given that the Bank is in PNG primarily to facilitate large scale foreign investment, and primarily resource extraction investment, would it really jeopardise this primary goal on environmental or social principle? Individual Bank officials may well find it distasteful that they have to operate within such an all embracing culture of corruption (see TK 2002), but it seems

unlikely that these officials will call the shots for the Bank and its shareholders, in the longer term.

The very strong report from the FCP group, led by Graeme Powell, had to bring the tension between the Bank and the Government to a head. In early July 2003 it was reported that the World Bank had given written notice that it would withdraw all support to PNG if the government 'failed in the next 30 days to clean up on forest industry corruption'. This threat was in a letter delivered on Friday 4 July to Finance Minister Bart Philemon and Chief Secretary Joshua Kalinoe (Anon 2003). This would not only mean cancellation of the FCP, but also withdrawal of Bank funding for the Highlands Highway, a big national infrastructure priority. Bank withdrawal from the country would probably also mean a drop in PNG's already low international credit rating (meaning that higher commercial interest rates would attach to Government borrowings) and a fall in the value of PNG's currency, the Kina. However for the Bank, withdrawal would also mean an inability to pursue its primary task of opening up the country for profitable resource extraction industries. Recall that the Australian Government's strategic objective is to double Australian private corporate trade in the Pacific, between 2001 and 2006 (Stortz 2003: 48), and that a large part of Australia's Pacific investments are in PNG. In this light, it is perhaps not surprising that the Bank cut a deal with the Somare Government, which would avoid suspension of the FCP, let alone a Bank withdrawal from the country (PNG EFF 2003). In making this deal, the Bank also avoided conflict with the Planning Minister and the Minister for Justice, both of whom had strong business interests in logging operations, in East New Britain and East Kikori respectively (Masalai i tokaut 2003a).

From this experience we can safely conclude that the World Bank's purported attempts (over more than a decade) to ensure the integrity and ecological sustainability of the forestry sector have failed, and that they were never really central to the Bank's concerns.

7.2 The ADB's Nucleus Agro-industry Project

The Asian Development Bank (ADB), which works closely with the World Bank, has been more concise and sparing than the World Bank in its writings on governance; but when it does refer to governance it makes very similar points. The ADB stresses the need in PNG to reduce public services, to advance “corporatization and privatization” and to create “well defined … individual’s rights to land” (ADB 2000: Part I: D). In the 'Good Governance' section of the ADB's revised *Country Strategy and Program* it says it will put resources into privatising state owned enterprises, “wide ranging public sector reform”, and a “review … of land tenure” (ADB 2002: II: B). By this the ADB means much the same as the World Bank: more privatisation, reduction of shared services and alienation of customary lands.

The ADB's approach to agro-industry is consistent with this overall 'governance' view. Primarily, agro-industry is seen as an opportunity for large foreign investors to access the resource base of PNG, and it is generally argued that such large operations are more 'productive'. We should note that the international experience does not always bear out the argument that large, mechanised cash cropping is 'more productive' - ie. producing more from the same land - because some small farmers can be very efficient. In any case, farming in poor countries *always* has many more social purposes (eg. food security, social security, maintenance of culture and environmental custodianship) than simply maximising output. But for the ADB and World Bank, agro-industry is primarily an opportunity for private foreign

investors, and is justified by crude product output. Therefore, while the arguments may seem to range more widely, the projects the ADB supports will mostly be those which promote and subsidise large private cash crops, or small holders feeding into the mills set up by large plantations.

Oil palm has been the main focus of this activity for some time, in Papua New Guinea. Initially, the World Bank supported such projects, putting almost US$100 million into agricultural, cash cropping projects between 1983 and 1992 (Table 11). In the 1990s the ADB took over this role - the practice of two Banks sharing tasks in this way is now common in this region. But like many other export focussed industries, oil palm has had a range of harmful impacts, and has delivered few benefits. The oil palm industry has helped provide some extra income to some small holders. However there have been social and environmental costs, and the small holders are at the mercy of price-fixing monopoly companies (eg. in New Britain and Oro), getting very small returns for their fruit. There are other problems. In many places oil palm projects have been a front for illegal logging operations - oil palm often requires clear-fell logging (PNGSPS 2003). The large mills are most often the main beneficiaries of aid projects. For example the road works in Oro Province (previously funded by the World Bank and now funded by AUSAID), mainly help the large Higaturu Mill trucks collect their underpriced fruit from the small holders. And in the Upper Ramu, a conflict is looming over an oil palm agreement between the Provincial Government and Ramu Sugar - a contract signed behind the backs of the local landowners, and which the landowners steadfastly oppose (Paol 2003; Yambai 2003). Planned logging and oil palm development at Collingwood Bay (Oro/Mile Bay Provinces) was only blocked in 2002 by a landowner court action (Tararia 2003).

Table 11: Multilateral bank cash cropping / oil palm finance for PNG: 1985-2002

Financier	Started	Project	US$m
WB	1983	Agricultural Support Services	14.1
WB	1984	West Sepik Provincial Development Project	9.7
WB	1985	Nucleus Estates and Smallholders Project (mostly oil palm, but also cocoa)	27.6
WB	1985	Agricultural Credit project	18.8
WB	1992	Oro Oil Palm Development Project [later extended by AusAID grants]	27
ADB	pre-1995	*[information difficult to obtain]*	
ADB	1995	Agricultural Research and Extension Project [oil palm, coffee and cocoa]	22.11
ADB	1997	Smallholder Support Services Pilot Project	n/a
ADB	2000	Agro-industry Development	0.5
ADB	2002	Preparing the Agriculture and Rural Devlopment Project	1
ADB	2002	Agro-Enterprises Technical Assistance Loan [mostly focussed on oil palm]	5.9

Source: World Bank 2003d; Asian Development Bank 2003c

Though there were some plantations in West New Britain in the late 1960s, the major development of palm oil cropping in PNG started in the mid 1970s, following independence.

In 2000, palm oil overtook coffee as PNG's main agricultural export (Kaczberski et al 2001: 15-16), and the crash of coffee prices in the late 1990s seemed to reinforce that trend. However, just like coffee, the world market for oil palm is facing an oversupply and consequent fall in prices. The fall has already begun, with the prices of all oil palm products peaking in 1998, and falling to less than half the 1998 rate by 2001 (MPOB 2003: Table 5.1). The main reason for this has been the massive deforestation and push for oil palm in Indonesia, following the 1997 Asian Financial Crisis. Malaysia is the world leader in oil palm production, but Indonesia now has as many hectares under oil palm as Malayisa (now about 3.5 million hectares each) but with only about half the productivity. Together they produce 90% of world oil palm exports. Indonesia's rapid route to oil palm development involved logging, dispossession of landowners and massive forest fires - mostly in Kalimantan and Sumatra. These fires have raged, on and off, for several years. Three quarters of the major fires in West and Central Kalimantan in August 2002 were associated with oil palm plantations and logging concession areas (WWF 2002: 4). Indonesia's oil palm industry is dominated by the same companies that control the logging and pulp industries, and major banks from Europe, the US and East Asia have largely financed this indiscriminate and destructive development (WWF 2002: 5-6). That investment may be weakening, now that palm oil prices are in decline and major scandals have erupted.

Indonesia's experience, in particular, has mobilised opposition to oil palm developments around the globe. According to the World Rainforest Movement there is now an

> "urgent need for action against the spread of oil palm plantations ... These plantations are usually preceded by logging, which 'clears' the land to make them possible. The plantation then impedes the regrowth of the forest by the widespread use of herbicides" (World Rainforest Movement 2001: 127-8).

Apart from environmental destruction and food security problems (poor people typically lose access to their traditional lands), mass production means oversupply and falling prices, "the burden of which is carried by local producers and local workers, whose incomes get increasingly lowered" (World Rainforest Movement 2001: 127-8)

In PNG in the mid 1990s, following in the footsteps of the World Bank, the ADB put over US$22 million into an Agricultural Research and Extension Project, which focussed on the commercial development of oil palm, coffee and cocoa. Even before the crash in global coffee prices, the ADB had greater regard for the productive potential of oil palm than for coffee, noting the increased use of fertiliser (ADB 1998). The ADB's next big oil palm scheme, announced in late 2001, the Agro-Enterprises Technical Assistance Loan, has not expressed very clear objectives. Many people in PNG have expressed frustration with its cryptic language. The Project provides a loan with interest rates of only 1% (for the first 8 years) and 1.5% for the next 24 years, but 60% of this (US$4.5 million) will be used as foreign exchange for the ADB's international consultants. Another US$1.5 million is to be raised by the Government of PNG, including from its "private sector proponents" (ADB 2001b). The ADB says this Project is about developing:

> "feasibility studies for nucleus enterprise-based development projects in agriculture and agro-processing ... [and] pilot activities in and around potential nucleus enterprises" (ADB 2001b)

The ADB has often stressed the breadth of its projects, and the inclusion of small farmers in its projects, for example "to increase small holder incomes and national output" (ADB 1998). However we can see that the emphasis on "commercially oriented agriculture" (ADB 2001) is not aimed at subsistence farmers or micro-traders, and the idea of a "nucleus enterprise" is focussed on private corporate ('market') development, that is, one:

> "that provides small holders and outgrowers with market outlets, technical and financial support, planting materials and social services that cannot be provided by either the public sector or the smallholders themselves" (ADB 1998)

This is a privatisation scheme. Using covert, indirect language the ADB is saying that we will use public money (most of the finance is a low interest loan to the Government) to create facilities that will be privately owned, and which will then condition the surrounding farming activities of small players. The outcome of such projects, unsurprisingly, will most likely link small holders into a large monopoly facility, such as the Higaturu mill in Popondetta.

But the ADB has refused to acknowledge that its recent agro-industry projects are either focussed on big, monocultural, commercial enterprises or focussed on oil palm. Writing to Ms Lee Tan of the Australian Conservation Foundation, ADB Environmental Economist Daniele Ponzi claims that the ADB's Nucleus Agro-Enterprises Project (of which Daniele is Team Leader):

> "[aims] to help PNG package new rural development ventures and partnerships with a focus on generating benefits for smallholders/outgrowers. Ideally we would like to use the market to bring about economic development and positive social change, while at the same time protecting and improving the environment ... with respect to oil palm we are well aware of the social and environmental risks and all the possible controversial aspects of such monocultural plantation developments." (Ponzi 2002a)

The risks of plantation monoculture are well known: high use of fertiliser, leading to water and marine pollution, high incidence of pests, followed by pesticides and further ground and water contamination; and displacement of small landowners and the creation of settlements around big factories and mills. The ADB then suggested that oil palm was not really on its agenda, with the following statements in mid 2002: "there are no oil palm projects under consideration" (Ponzi 2002b), and

> "There has been a slight confusion .. [due to] misleading statements by some representatives of the PNG Government .. We had in fact hoped that oil palm would constitute at most only part of the area of focus. However the Department of National Planning and Monitoring (as was) drew up an initial list which comprised mainly oil palm possibilities; [but] this is only an initial list of possibilities." (Van der Tak 2002).

The 'confusion' was understandable, since the ADB has a long history of funding oil palm developments, both in Indonesia and in PNG.

The PNG Government has been more open with the public than the ADB. According to Prime Minister Michael Somare, his Government has "identified the oil palm industry as a vehicle and growth strategy to enhance the economic and socio-indicators of Papua New Guinea". He then identified several areas as 'suitable' for oil palm development (Somare 2003b - see Table 12). *The Independent* newspaper had previously published a wider list of areas identified by ADB backed feasibility studies, and all listed as 'projects' (Peni 2002). The Prime Minister made it clear, to his West New Britain business audience, that his approach to agro-industry was entirely consistent with the main themes of the ADB and World Bank - an "export driven economic recovery strategy" with substantial state subsidies for large private investors. The subsidies the Prime Minister listed were: double taxation deductions, increased tax credit rates for agricultural companies, new corporate tax reductions, duty free machinery imports for agricultural companies, removal of foreign exchange controls and removal of all taxation assessments for shareholders in agricultural companies (Somare 2003b). These are clearly *not* incentives for small farmers.

Table 12: Oil Palm Development Areas in PNG		
Existing Oil Palm Areas	**Areas PM Somare says ADB studies have identified as 'suitable' (June 2003)**	**Areas from 'government sources', based on studies (The Independent, July 2002)**
West New Britain	Amazon Bay (Central)	Amazon Bay (Central)
New Ireland	Arowe (West New Britain)	Arowe (WNB)
Milne Bay	Turubu/Sepik Plains (E. Sepik)	Sepik Plains (E. Sepik)
Oro-Popondetta	Bewani (West Sepik)	
		Vailala (Gulf)
		Ramu Plains (Madang)
		Open Bay (ENB)
		Morobe-Gulf Border
		Collingwood Bay (Milne/Oro)
Sources: Somare 2003b; Peni 2002; Note that the Collingwood Bay proposal has been now blocked by a 2002 landowner court action		

The experience of oil palm around Popondetta in Oro province is instructive, for the rest of PNG. Here there are over 40,000 hectares of 'village oil palm', comprising 5825 growers, (most of their holdings are between 2ha and 4ha), and some land settlement schemes for tenant farmers (Ruki 2003). All these small growers sell their fruit to the big Higaturu mill (due to the failure of earlier privatisation attempts, this is still 40% state owned). Higaturu has a plantation of significantly fewer hectares than the total village farms, but is producing about the same amount of fruit, because of higher fertiliser use. It's estimated that the village holdings are no more than 20% of the villagers' total lands (Koja 2003). The Oil Palm Industry Corporation (OPIC), which services the region's oil palm industry, takes subscriptions from growers but has also received substantial finance from the World Bank and AusAID, mainly for developing feeder roads which help trucks from the Higaturu mill go out to collect palm fruit from the small growers.

The benefits of oil palm for the small growers at Popondetta are argued by Mr Leo Ruki, a Highland man and Project Manager of OPIC. He says that people in the villages are wealthier and healthier, with better access to goods. In addition, the 'Mama Lus' system allows women collectors (over 2500 registered as at December 2002) of fallen fruit to gain some income. Others say the 'Mama Lus' scheme is said to have:

> "received universal acclaim amongst smalholders - wives, husbands and children - and has substantially increased revenue for oil palm companies" (Kaczberski et al 2001: 200)

Certainly there is a good trade in the large supermarkets in Popondetta, on paydays.

However, Higaturu as the only buyer in the area sets the prices, and small growers complain bitterly about the low prices they receive. The Growers Association estimate of their portion, in the grower-company split on the value of growers' fruit, is around 55% (Koja 2003). Many growers earn about 100 Kina a fortnight, but this is a family operation, and is very hard work compared to coffee or cocoa. In addition, the company does not pay separately for the palm kernels, even though they are sold separately; the growers believe they should be paid separately (Koja 2003). They would like to see a new mill, but this is beyond their means, at the moment. Contrary to the OPIC Manager, the Growers Association does not see much

improvement in living standards over the past 20 years. They believe growers have been kept at a subsistence level (Koja 2003). Higaturu will not collect fruit from small growers if the roads are run down (Koja 2003), and this has led to the pressure for World Bank and AusAID loans to maintain feeder roads to the Higaturu mill. In environmental terms, insecticides are used, the oil palm attracts hordes of rats and flies, and the plantation, settlement and village crops use substantial amounts of fertiliser (Ruki 2003).

Were oil palm simply an 'option' for small farmers (like cocoa, coffee, or vanilla), and not one linked to a socially and environmentally damaging monoculture, subject to domination by a single, large, price-setting company, small farmers might consider it. However construction of monoculture industries, each focussed on a private 'nucleus' (a big private company) as suggested by the ADB, seems likely to tie small farmers into an unequal system, and one from which it may be difficult to escape, when the price of oil palm declines further. The ADB's track record as a manger of such schemes is not good. Analysis of the ADB's own project evaluations between 1966 and 2002 have shown that over 70% of their projects have been failures according to their own criteria. That is, 70% of ADB projects are "unlikely to provide long term social and economic benefits" (Fried et al 2003: 1). That is before we seriously calculate the social and environmental costs.

8. Alternatives: social democratic governance

This section will briefly outline the core principles of a social democratic model of governance, and some important practical alternatives to neoliberal development.

Within a broader view of 'governance', there are many practical alternatives to neoliberal development (ie. trade liberalisation, capital liberalisation, deregulation and privatisation), as proposed by the World Bank. Many of these alternatives have been tried, and work well.

It is important to first recognise the difference between 'stabilisation' policies (the need to stabilise prices, as well as the local currency and the general economic environment) and 'structural adjustment' (longer term changes, which according to the World Bank must involve trade and capital liberalisation). Although policy makers may have few choices about stabilisation, this does not mean they have no choices about structural adjustment. The World Bank and the IMF have traditionally confused these two, suggesting there is no real choice in development - only consumer 'choice'.

Alternative approaches to development have different places within distinct strategic views. In this report I have been looking at the economic liberal view, with its core principles and associated practices. However in a social democratic view - where communities seek the extension of democracy into all areas of social and economic life - we would begin with quite different core principles.

Table 13 below shows distinct core principles (self-determination, food security, shared services, public institutions, appropriate investment and ecologically sustainable development) that may underpin a social democratic approach to governance.

Table 13: A model of social democratic governance

	Belief system	**Core principles**
	Community participation in and control of social and economic life	self-determination
		food security
		shared basic services
		building public institutions
		appropriate investment and ecologically sustainable development
TA 2003		

This model can be compared with Table 8, which showed the economic liberal core principles (formal democracy, privatisation, deregulation, reduction in shared services, the removal of price controls) of the World Bank's governance model.

An approach based on community participation in and control of social and economic life - and which focusses on the principles of self-determination, food security, shared services, public institutions, appropriate investment and ecologically sustainable development - could, for example, prioritise local farming over logging, ecotourism over oil palm plantations, and public health services over privatisation.

Table 14 shows some particular development choices communities and developing countries may have, along with examples of places where such alternatives are being implemented. These are food for thought.

Table 14: Summary of important alternatives to neoliberal development

neoliberal policy	alternative	example
Trade liberalisation	Industrial cluster development	• Computer and engineering industries in Bangalore (India) • Industrial clusters in China, Pakistan, Mexico
	State coordinated import substitution and export strategies	• Japan - followed by Korea, Taiwan, Singapore and Malaysia (1960s-90s)
	A variety of 'fair trade' proposals	• Solidarity networks to support labour rights • Producer-cooperative links • Labour rights in trade treaties
Capital liberalisation	Tobin Tax, to control hot money	• Tobin Tax movements in Europe and Latin America
	Joint venture investment	• China's and Cuba's successful joint venture (new investment) policies, 1990s
	Exit taxes on foreign investment	• Malaysian capital controls 1998
Privatisation	Re-nationalisation of strategic industries - (or successfully resisted privatisations)	• Water in Bolivia (Honduras, Hungary) • Television in New Zealand • Electricity in California
	Maintain public equity in strategic industries	• Chinese foreign investment strategy • Swedish water utilities (most efficient) • Cape Town - townships new water utilities
'Business welfare'	Public shareholding = the price of access to markets	• Many small countries (eg. PNG) equity in mining ventures
Capital intensive cash cropping	Strengthen subsistence farms and local trade	• Some land reform areas in India • Solomon Islands, Marovo • MST settlements, Brazil • US small farms program
Extended patent protection (WTO)	Make essential generic drugs, discounting or ignoring patents	• Production of cheap, generic drugs in Brazil and India
Privatised health services	Publicly funded, free, world class health system	• Cuban health system
Export oriented production	Subsistence (small farmer) support schemes	• India, Indonesia (pre 1997), many poor countries
Budget surplus	Budget deficits in downturns - balanced in upturn	• Thailand (97-99) and Cuba (91-96)

TA 2003

9. Dealing with the World Bank

1. The World Bank and the Asian Development Bank are best regarded as lobby groups for foreign investors. They are not 'independent' development advisers.

2. As advocates for special business interests, these Banks are most correctly treated as business people, who want to make money out of PNG's resources and people. Their advice is that of an investors' 'peak body', and it is dishonest for them to suggest that they represent an independent source of 'good governance' advice.

3. Most of the better sounding aims of the World Bank (participation of civil society, poverty reduction, environmental protection, anti-corruption, transparency) are deceptive. These claims disguise the real aims of the World Bank.

4. It is for the people and the communities of PNG to decide how they regulate business people, and with whom and how they wish to do business.

5. However, honesty in business and in international relations is important, and the World Bank in particular has demonstrated an enormous level of deceit in its arguments in PNG. The arguments which I have characterised as the 'veneer principles' of its good governance model involve grand deception. Had the bank simply appeared as a straight forward business lobby, honest about its intentions, it might deserve some respect.

6. Verbal engagement with the World Bank does not significantly alter its structural aims, which are set by its Articles of Association, its economic liberal ideology and the investment and trade interests of its shareholders, and confirmed by its practice around the world.

7. Any hoped for advantages from engagement with World Bank accountability processes (such as the Inspection Panel) must be weighed against the near certainty that (whatever some Bank employees may say) the Bank in PNG will ultimately support export oriented, resource extraction industries, with significant foreign investment.

8. Community activists engaging with the World Bank, for the legitimate purpose of holding it publicly accountable for its actions in PNG, should be careful to not lend it platforms or legitimacy for its partisan foreign investment lobbying activities, dressed up as 'good governance' or 'poverty reduction' programs.

Bibliography

AACM (1995) *Papua New Guinea Conservatiion Project, Oro province: Draft Project Implementation Document*, AACM International P.L. in association with Australian Association for Peoples of the South Pacific, for the PNG Department of Environment and Conservation and the Australian Agency for International Development (AUSAID), July

ABC Radio (2002) 'PNG Govt clashes with World Bank', The World Today, http://www.abc.net.au/worldtoday/s712924.htm, Monday, October 28, 2002 12:40

ADB (1998) Project performance audit report on the Agricultural Research and Extension Project in Papua New Guinea, Asian Development Bank, www.adb.org

ADB (2000) Country Assistance Plan, Papua New Guinea, www.adb.org/Documents/CAPs/PNG/

ADB (2001b) 'Studies to develop agr-industry in papua New Guinea': News Release: Project Information, Asian Development Bank, 20 December

ADB (2002) Papua New Guinea Country Strategy and Program Update, 2003-2005, (this replaces the CAP 2000), August, www.adb.org/Documents/CSPs/PNG/2002/

Allison, A. (1993) 'Biodiversity and Conservation of the Fishes, Amphibians and Reptiles of Papua New Guinea', in B. M. Behler (Ed) *Papua New Guinea Conservation Needs Assessment, Vol 2*, PNG Department of Environment and Conservation, Boroko

Anderson, Tim (2002) 'Island Socialism: Cuban crisis and Structural Adjustment', Journal of Australian Political Economy, Number 49, June

Anon (2003) Letter to this writer from confidential source in PNG, July

Ase, Damien (2003) Interview with this writer, Port Moresby, February [Damien Ase is Director of the Centre for Envrionmental Law and Community Rights (CELCOR)]

Asian Development Bank (2003c) Project Profile: Papua New Guinea, www.adb.org/Documents/Profiles/

AusAID (2003) The contribution of Australian Aid to Papua New Guinea's Development 1975–2000, Evaluation and Review Series No 34, June 2003

Australian Instute of Criminology (2000) 'Selected Crime Profiles', http://www.aic.gov.au/publications/facts/2000/sec3.html

Barclay, Gordon C. and Cynthia Tavares (2002) 'International comparisons of criminal justice statistics, 2000', Home Office Statistical Bulletin 05/02, London, 12 July

Barnett, T.E. (1989) Report of the Commision of Inquiry into Aspects of the Forest Industry: Final report (2 volumes), Report to the Government of Papua New Guinea

Bell, Stephen (2002) 'Economic Governance and Institutional Dynamics', in Stephen Bell (Ed) (2002) *Economic Governance and Institutional Dynamics*, Oxford University Press, Melbourne

Bello, Walden (2002) *Prospects for Good Global Governance: the view from the South*, a report prepared for the Bundestag, Federal Republic of Germany, FOCUS on the Global South, Bangkok, www.focusweb.org

Birdsall, Nancy and John Nellis (2002) Winners and Losers: assessing the distributionla impact of privatization', Working Paper No. 6, Centre for Global Development, May

Braithwaite, J (1978) 'Unemployment and Adult Crime: an Interpretation of the International Evidence', in University of Sydney (1978) Unemployment and Crime, Proceedings of the Institute of Criminology, No 36

Bretton Woods Project (2003) 'Inside the institutions: how the World Bank deals with fraud and corruption in its projects', www.brettonwoodsproject.org/,

Brunton, Brian (2003) Interview with this writer, Sydney, August

Brunton, Richard (2003) Interview with this writer at Lelehudi village, 18 February

Buckley, Stephen (2000) Brazil's brutal economic gap blamed for wave of violence, Washington Post Foreign Service, Saturday June 17, page A13

Bunch, Roland (1982) *Two Ears of Corn: a guide to people-centred agricultural development*, World Neighbours, Oklahoma

Burkey, Stan (1993) *People First: a guide to self-reliant, participatory rural development*, Zed Books, New York, 1999 edition

CELCOR (2001) World Bank Inspection Panel: request for inspection: filed by certain named customary owners of forests in Kiunga-Aiambak, Western province, PNG, Centre for Environmental Law and Community Rights, Port Moresby

Chavez Malaluan, Jenina Joy and Shalmali Guttal (2003) 'Poverty Reduction Strategy Papers: a poor package for poverty reduction', Focus on the Global South, January

Cheru, Fantu (1989) The Silent Revolution in Africa: debt, development and democracy, Zed Books, London
Cheru, Fantu (1999) 'Effects of structural adjustment policies on the full enjoyment of human rights', UN Commission on Human Rights, 55th session, review by independent expert, 24 February

Chossudovsky, Michel (1997) *The Globalisation of Poverty*, Pluto Press, Sydney
Collingwood, Vivien (Ed) (2002) 'Good Governance and the World Bank', Research Paper, Nuffield College, University of Oxford, England
Cuneen, Chris and David McDonald (1996) Keeping Aboriginal and Torres Strait Island People Out of Custody, Institute of Criminology, Sydney University

Deininger, Klaus (2003) Land Policies for Growth and Policy Reduction, World Bank Policy Research Report, Oxford University Press and the World Bank, Washington
De Rivero, Oswaldo (2001) *The Myth of Development: the non-viable economies of the 21st century*, Zed Books, London
Dinnen, Sinclair (2003) 'PNG: a failing state?' interview with Terry Lane, ABC Radio, The National Interest, 6 July
Dixon, Norm (1998) 'Activist slams 'recolonisation' of Pacific', *Green Left Weekly*, www.hgreenleft.org.au/back/1998/315/315p22.htm, April
Donnelly, Roger (2003) 'Country Risk Assessment - Papua New Guinea', Export Finance Insurance Corporation (EFIC), Canberra, April, www.efic.gov.au/economics/crapng_text.asp [Roger Donnelly is the Chief Economist for EFIC)
Dubash, Navroz K and Colin Filer (2000) ‘Papua New Guinea’, in Seymour, Frances, J, and Navroz K. Dubash (Eds) (2000) *The Right Conditions: the World Bank, Structural Adjustment and Forest Policy Reform*, Word Resources Instiute, Washington, pp. 29-53
Duncan, Ron and Steve Pollard (2001) 'A conceptual framework for a country poverty reduction strategy', Paper to the Asia and Pacific Forum on poverty: 'Reforming policies and institutions for poverty reduction', Asian Development Bank, Manila, 5-9 February

Eckersley, Richard (Ed) (1998) Measuring Progress: is life getting better?, CSIRO, Melbourne
Ellis, Julie-Ann (1997) *Race for the Rainforest 2*, PNG Biodiversity Conservation and Resource Management Programme and UNDP, Waigani (PNG)

Filer, Colin with Navroz K. Dubash and Kilyali Kalit (2000) *The Thin Green Line: World Bank leverage and forest policy reform in Papua New Guinea*, NRI Monograph 37, National Research Institute and the Australian National University, June
FOCUS (2002) Good Governance or Bad Management: an overview of the ADB's decision making processes and policies, FOCUS on the Global South, www.focusweb.org
Four Corners (2002) 'The Insider', ABC Television, www.abc.net.au/4corners/stories/s590512.htm, 24 June
Fried, Stephanie Gorson; Shannon Lawrence and Regina Gregory (2003) 'The Asian Development Bank: in its own words: an analysis of project audit reports for Indonesia, Pakistan and Sri Lanka', Environmental Defense, Washington, July

GAO (1996) World Bank: US interests supported, but oversight needed to help ensure improved performance", United States General Accounting Office, Report to Congressional Requesters, GAO/NSIAD-96-212, September
GAO (2001) International Monetary Fund: few changes evident in design of new lending program for poor countries, United States General Accounting Office, Report to the Chairman, Commitee on Foreign Relations, U.S. Senate, Washington, GAO-01-581, May
Gem. Francis (2003) Interview with this writer about RD Tuna operations, Madang, February (Francis is a Kananam community leader)
Gerawa, Maureen (2003) 'Women dying in childbirth', Post Courier, 14 February, p.3
Global Exchange (2000) 'Water Privatisation in Bolivia, June 6, www.globalexchange.org/wbimf/Schultz.html
Greenpeace (2000) Letter to World Bank Director Klaus Rohland, from Greenpeace activist Lafcadio Cortesi, 10 March
Grusky, Sara (2003) 'Water Privatisation Fiascos: broken promises and social turmoil', Puboic Citizen, Washington, www.citizen.org/cmep/water
Gwin, Catherine and Joan M. Nelson (1997) *Perspectives on Aid and Development*, Policy Essay No 22, Overseas Development Council, John Hopkins University Press, Washington DC (pp.3-4)

Hamilton, Clive (2003) *Growth Fetish*, Allen and Unwin, Sydney
Hare, Joe (2003) Interview with this writer about RD Tuna operations, Madang, February (Joe is a former manager at RD Tuna)
Hellman, Joel S.; Geranit Jones, Daniel Kaufmann and Mark Schankerman (2000) 'Measure governance, corruption and state capture: how firms and bureaucrats shape the business environment in transition economies', World Bank Institute, April, www.worldbank.org
Hirst, Paul and Grahame Thompson (1996) *Globalization in Question*, Polity Press, Cambridge
Hoogvelt, Ankie (2001) *Globalization and the Post-Colonial World*, Palgrave, Basingstoke
Hope, Anne and Sally Timmel (1984) *Training for Transformation 1*, Mambo Press, Gweru Zimbabwe, 1996 edition
Hope, Anne and Sally Timmel (1999) *Training for Transformation 4*, ITDG Publishing, London, 2001 edition
Huther, Jeff and Anwar Shah (1998) 'Applying a simple measure of good governance to the debate on fiscal decentralization' World Bank Institute, Washington

IMF (2001) IMF Members' Quotas and Voting Power, and IMF Governors, September 27, http://www.imf.org/external/np/sec/memdir/members.htm#total
International Trade Centre (2003) Papua New Guinea: exports, UNCTAD/WTO, www.intracen.org

Jacobs, Michael (1989) The Green Economy, Pluto, London

Kaczberski, G;, G. Curry and K. Gibson (2001) Improving Productivity of the Smalholder Oil Palm Sector in Papua New Guinea: a socio-economic study of the Hoskins and Popondetta Schemes, OPRA Annual Report Supplement, Australian National University, November
Kaufmann, Daniel; Aart Kraay and Pablo Zoido-Lobaton (2002) Governance Matters II: updated indicators for 2000-01, Policy Reserach Working Paper 2772, The World Bank Development Reserach Group, February
Kapigeno, Jacqueline and Lucy Kapi (2003) 'Minister Philemon blames lawyers for huge K120 million damage bill', *The National*, Feb 27, p.3
Khan, Azizur Rahman (1993) Structural Adjustment and Income Distribution: Issues and Experience, International Labor Office, Geneva
King, Tim (2003) Interview with this writer, Port Moresby, March [Tim works with PNG's Eco-Forestry Forum]
King. M. (2001) 'Corporrate Governance, World Bank Institute, www.worldbank.org/wbi/corpgov/
Knack, Stephen (2000) 'Aid dependence and the quality of governance: a cross country empirical analysis', World Bank, Washington
Koja, Anderson (2003) Interview with this writer, Popondetta, 4 March [Anderson is Chairman of the Popondetta Oil Palm Growers Association]
Kovaleski, Serge F. (1999) 'Murder 'Madness' Bedevils Jamaica: Government Struggles to Curb Wave of Slayings and Address Underlying Causes', Washington Post Foreign Service: Tuesday, July 27
Kruse, Tom (2000) 'Bechtel versus Bolivia: the next battle in the 'water war', Public Citizen, ww.citizen.org, 10 April

Lahari, Metahera (2003) 'Govt seeks K30m to pay claims', *The National*, 20 February, p.3
Lakau, Andrew (1994) 'Customary land tenure and economic development in PNG' in Ron Crocombe and Malama Meleisea (Eds) (1994) Land Issues in the Pacific, Institute of South Pacific Studies, University of the South Pacific, Suva
Lakau, Andrew (1995) 'Land', *Post Courier*, 11 and 12 July
Lobe, Jim (2001) 'Learn from Cuba, says World Bank', http://legalminds.lp.findlaw.com/list/ipe/msg03266.html

Masalai i tokaut (2003a) 'World Bank avoids ministerial confrontation on illegal logging', Number 21, 10 August
Masalai i tokaut (2003b) 'Forest Minister beyond the law', Number 22, 10 August
McCallum, Rob and Nikhil Sekhran (1997) *Race for the Rainforest*, PNG Biodiversity Conservation and Resource Management Programme and UNDP, Waigani (PNG)
Mola, Professor Glen in Maureen Gerawa (2003) 'Women dying in childbirth', Post Courier, 14 February, p.3
Morauta, Mekere (1995) in Special Broadcasting Service, 'Papua New Guinea: under the spell', Pacific Journalism Review, Corruption issue, acij.uts.edu.au/PJR/issues/back95/95sbs.html
MPOB (2003) 'Annual average prices of oil palm products 1980-2001', Malaysian Palm Oil Board, Table 5.1, www.mpob.gov.my

National, The (2003) ‘Impunity Impasse at PNGBC sale inquiry’, Feb 26, p.3
National, The (2003a) ‘BSP says price paid for PNGBC was correct’, 13 Feb, p.2
National, The (2003b) ‘Hiring of World Bank official flayed’ and ‘Weise points our effects of Kamit’s letter’, 5 March, pp.2-3
National, The (2003d) Weise denies K1.4 million contract, 6 March

Oiyoi Yambai (2003) Interview with this writer, Uriginia Village, Upper Ramu, March [Oiyoi is a member of the Ramu Valley Land Owners Association (RVLOA), and a traditional owner in LLG Ward 13]
Ove, J (2000) Field trip report - suspicious logging deals in Baimuru (Intelligence), PNG Office of Counter Intelligence, June

Paol, Yat (2003) Interview with this writer about a proposed oil palm development in the Upper Ramu Valley, Madang, February
Parkops, Powys (2003) Interview with this writer, Port Moresby, February [Powys Parkops is a lawyer, and former Genereal Secretary of Melsol]
Peni, Ekonia (2003) 'Oil Palm, the best alternative', The Independent, Business News, p.29
Ponzi, Daniele (2002a) Letter to Ms Lee Tan of the Australian Conservation Foundation, 5 August [Daniele is an Environmental Economist and a PNG Project Team Leader with the ADB - dponzi@adb.org]
Ponzi, Daniele (2002b) Letter to Ms Lee Tan of the Australian Conservation Foundation, 6 August
Post Courier (2003a) ‘Crime increase is ‘economic’’ 11 Feb 2003, p.2
Post Courier (2003b) 'Privatisation now to be 'more selective'' 13 Feb 2003, p.2
Post Courier (2003c) ‘PNGBC buyout seen as a coup’ 13 Feb 2003, p.5
Phllips, Michael (2003) 'The World Bank wonders about utility privatizations', Wall Street Journal, July 21
PNG DEC (1996) *Papua New Guinea Conservation Project, Oro Province: quarterly progesss report number 4*, PNG Department of Environment and Conservation and AUSAID, February
PNG Eco-Forestry Forum (2000) The Forest Industry Moratorium and Review: information Pack, 25 September
PNG EFF (2000) The Forest Industry Moratorium and Review, Information Pack prepared by the Papua New Guinea Eco-Forestry Forum, Port Moresby, 25 September
PNG EFF (2003) Letter to World Bank Regional Director Xian Zhu, concerning the Bank's Forestry and Conservation Project in PNG, 27 August
PNG Forest Authority (2002c) Project Implementation Plan - Forestry and Conservation Project, May
PNG Forest Watch (2001) 'Far less than the sum of its parts, an analysis of recomednations made for remediation in individual projects as part of the Independnent Forestry Review', PNG Eco-Forestry Forum, Port Moresby, November
PNG Incentive Fund (2003) 'Approved Programs Summary Report', Port Moresby, 12 February, 4pp
PNGSPS (2003) Anonyous PNG senior public servant, interview with this writer, Port Moresby, February
Powell, Graeme (2003) unpublished report from the FCP on logging operations, Forestry and Conservation Project, February
Pouru, Kanawi (2003) Interview with this writer, Port Moresby, 5 March [Kanawi is Head Administrator, Landowner Unit, PNG Forestry and Conservation Project]

Right to Water (2000) 'Bolivia protests break water privatisation contract', http://hammer.prohosting.com/~penz/overseas/bolvh2o.htm
Rohland, Klaus (2002) 'Papua New Guinea and the Pacific', Speech at the University of Sydney (December), Radio Australia Asia-Pacific Lecture Series
Ruki, Leo (2003) Interview with this writer, Popondetta, 3 March [Leo is Project Manager of the statutory authority, the Oil Palm Industry Corporation (OPIC), at Popondetta]

Samuelson, Paul; W. D. Nordhaus et al (1992) Economics, Vol 2 macroeconomics, 3rd edition, McGraw Hill, Sydney
SAPRIN (2000) 'SAPRIN Challenges World Bank on Failure of Adjustment Programs', SAPRIN Secretariat and Executive Committee, www.developmentgap.org/saprin/april 2000.html
Scholte, Jan Aart (1997) 'The Globalization of World Politics' in John Baylis and Steve Smith (Eds) (1997) *The Globalization of World Politics*, OUP, Oxford
Sekhran, N. and S. Miller (1995) *Papua New Guinea Country Study on Biological Diversity*, PNG Department of Environment and Conservation, Waigani

Seymour, Frances, J, and Navroz K. Dubash (Eds) (2000) *The Right Conditions: the World Bank, Structural Adjustment and Forest Policy Reform*, Word Resources Instiute, Washington
Shearman, Phil; and Jim Cannon (2002) PNG Forest Resources and the Log Export Industry, PNG Eco-Forestry Forum Working Paper, April
Somare Michael (2003) PM responds to questions on the forestry sector', *The National*, 4 March, p.3
Somare, Michael (2003b) 'Appropriate investment incentives for agriculture, as a means to sustain rural livelihood', Address to the New Britain Palm Oil Limited and the business community in Kimbe, West New Britain, Web site of the Prime Minister of papua New Guinea, www.pm.gov.pg/pmsoffice/, 5 June
Stiglitz, Joseph (2002) *Globalization and its Discontents*, Norton, New York
Stortz, Pat (2003) Evidence to Senate Commitee inquiry into 'Australia's relationship with Papua New Guinea and Pacific island nations', Pat Stortz is Austrade Manager, SE Asia and Pacific Markets office
Sungai, James (2003) Interview with this writer about RD Tuna operations, Madang, February (James is a Kananam community leader and local councillor)

Tararia, Almah (2003) Interview with this writer, Senior Lawyer, Environmental Law Centre, Port Moresby
Tehranian, Majid (2002) 'Globalisation and Governance: an overview' in Esref Aksu and Joseph A. Camilleri (Eds) (2002) *Democratising Global Governance*, Palgrave-McMillan, Basingstoke, UK
Thürer, Daniel (1999) 'The 'failed state' and international law, International Review of the Red Cross, No 836, p.731-761, 31 December
TK (2002) Partners in Crime: the political web that supports the illegal Kiunga Aiambak timber project, Port Moresby, May
Tok Tedi (2002) 'On the Highway to a Sustainable Future', OTML (OK TEDI), Tabubil, April-June, p.10
Transparency International (2001) 'Helping Countries Reduce Corruption - the World Bank's Role', Bank Information Centre, www.bicusa.org/ptoc/, September
Travis, Jeremy (1997) 'Labor Markets, Employment and crime', summary of a presentation by Robert Crutchfield of the University of Washington, National Institute of Justice Research Preview, July, http://www.ncjrs.org/txtfiles/fs000166.txt
Treakle, Kay (1999) 'Module 27: The World Bank and ESC Rights', Section 9: Developing Strategies and Tools - Regional Level, Circle of Rights, Economic social and cultural rights activism: a training resource, University of Minnesota, Human Rights Resource Centre
Turk, Danilo (1992) in IDIC (1993) Basic Education: A Precondition for Sustainable Development, International Development Information Centre http://www.acdi-cida.gc.ca/xpress/dex/dex9310.htm, No. 93-10 November, 1993

UNDP (1994) *Human Development Report* 1994, United Nations Development Programme, OUP, New York
UNDP (1995a) 'Public Sector Management, Governance and Sustaimable Development', ww.undp.org
UNDP (1995b) Report on Activities in Democracy, Governance and Participation in the CIS, Central and Eastern Europe', United Nations Development Program, www.undp.org/rbec/dgp/
UNDP (1997) *Reconceptualising Governance*, Discussion Paper 2, Management Development and Governance Division, Bureau for Policy and Programme Support, www.undp.org
UNDP (2001) *Human Development Report 2001*, www.undp.org
UNDP (2002) *Human Development Report 2002*, United Nations Development Programme, OUP, New York

Vagi, Legu L (1986) ‘Papua New Guinea’s Relations with Australia and the Five-Year Aid Agreement’, Ministerial Brief: to The Hon Paias Wingti, Prime Minister and the Rt Hon Sir Julius Chan, Deputy Prime Minister and Minister for Finance and Planning, [Mr Vagi MP was the then Minister for Foreign Affairs] Dept of Foreign Affairs, 22 August
Van der Tak, Steven (2002) Letter to Ms Lee Tan of the Australian Conservation Foundation, 24 July [Steven is Principal Programs Officer/Economist, Pacific Department for the ADB]
Van Helden, Flip (2001) *Through the Thicket: disentangling the social dynamics of an integrated conservation and development project on mainland papua New Guinea*, Wageningen University, Netherlands
Van Helden, Flip and Jochem Scheemann (2000) *Cutting the Trees to Keep the Forest*, Interchurch Organisation for Development Cooperation (ICCO), Zeist, The Netherlands

Waring, Marilyn (1988) Counting for Nothing: What Men Value and What Women are Worth, Allen & Unwin, Wellington
Watkins, Kevin (1999) 'ESAF Reform and the Poor', Oxfam Policy Papers, speech at IMF Global Forum, Washington, 24 September 1999

Weeks, John (1997) Analysis of the Demery and Squire 'Adjustment and Poverty' Evidence, CDPR Discussion paper 0197, Centre for Development Policy and Research, London, www.soas.ac.uk/centres/cdpr/

Wescott, Clay G. (2001) Key Governance issues in Cambodia, Lao PDR, Thailand and Viet Nam, Asian Development Bank, Programs Department (West), www.adb.org, April

Windybank, Susan and Mike Manning (2003) 'Expect fallout here as our neighbour falls apart', Centre for Independent Studies, No 127, www.cis.org.au

Wolfers, Edward P. (1975) Race Relations and Colonial Rule in PNG, ANZ Book Company, Sydney

Woods, G (1978) 'Unemployment and Crime - a General Perspective' in University of Sydney (1978) Unemployment and Crime, Proceedings of the Institute of Criminology, No 36

World Bank (1988) *World Development Report* 1988, World Bank, OUP, Washington

World Bank (1989) *Papua New Guinea - the Forestry Sector: A Tropical Forestry Action Plan Review, Vol 1 & 2*, draft report for the Government of PNG

World Bank (1993) *The East Asian Miracle*, Washington

World Bank (1994) Transmigration in Indonesia, Operations Evaluation Dept, Precis No 72

World Bank (1995) *World Development Report 1995*, World Bank, Oxford University Press, Washington

World Bank (1996) Bureaucrats in Business - The Economics and Politics of Government Ownership, Oxford University Press, Washington

World Bank (1997) *World Development Report: the State in a Changing World*, Oxford University Press, New York

World Bank (1998) 'Bolivia: Country Assistance Review', Operations Evaluation Department, www.worldbank.org/oed/

World Bank (1999) *Papua New Guinea: improving governance and performance*, Poverty Reduction and Economic Management Sector Unit, East Asia and Pacific Region, October 22

World Bank (1999c) Papua New Guinea Forestry and Conservation Project, Project Implementation Document (PGPE4398), Washington/Canberra

World Bank (2000-2001) Updates No 1-8: Trust Fund for East Timor, Dili

World Bank Institute (2001) 'Corporate Governance and Strategy Distance Learning Core Course', Module 2, www.worldbank.org/wbi/corpgov/core_course/module2.htm

World Bank (2001a) 'Adjustment from Within: lessons from the Structural Adjustment Participatory Review Initiative', http://www.worldbank.org/research/sapri/, a contribution to the second global SAPRI initiative, July 30-31

World Bank (2001b) Projects, http://www4.worldbank.org/sprojects/browse.asp?cat=country&Coun=B

World Bank (2001c) World Development Report 2001, www.worldbank.org/

Word Bank (2001d) 'Interesting World Bank Facts', World Bank Weekly Update September 10-14

World Bank (2003a) 'Debating the Washington Consensus', DevNews Media Center, www.worldbank.org/WBSITE/EXTERNAL/NEWS/, June 19

World Bank (2003b) 'Land rights for poor people key to poverty reduction, growth - World Bank report', Devnews media centre, www.worldbank.org/WBSITE/EXTERNAL/NEWS/

World Bank (2003c) PNG Country Assistance Loans, www.worldbank.org

World Bank (2003d) World Bank Project Data: Papua New Guinea, www.worldbank.org

World Bank Group Operations Evaluation Department (2003) 'EVALUATION OF THE WORLD BANK GROUP'S ACTIVITIES IN THE EXTRACTIVE INDUSTRIES', draft report January 21

World Commission on Dams (2000) Dams and Development: a new framework for decision making, http://www.dams.org/

World Development Movement (2001) Policies to roll back the state and privatise? Poverty Reduction Strategy Papers investigated, A debt policy report by the World Development Movement, London, April

World Rainforest Movement (2001) *The Bitter Fruit of Oil Palm: dispossession and deforestation*, Montevideo

WTO (2003) 'Declaration of the Contribution of the World Trade Organisation to Achieving Greater Coherence in Global, Economic Policymaking', *GATT Agreement 1994* (p.387), www.wto.org

WWF (2002) Oil Palm Plantations and Deforestation in Indonesia: what role do Europe and germany play?, A report by WWF Germany in collaboration with WWF Indonesia and WWF Switzerland, November

Yasangi, Florien (2003) Interview with this writer about RD Tuna operations, Madang, February (Florien is a former employee at RD Tuna)